76 00415

A REPORT
ON THE
CONTRA COSTA COUNTY PREPAID HEALTH PLAN

MARCH 1975

Medical aid Contra Costa
Health insurance Public "

Prepared by the
Office of the County Administrator
Contra Costa County, California

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY
MAY 2 1975
UNIVERSITY OF CALIFORNIA

RA412
.45
C2
C66
1975
IGSL
UCB

TABLE OF CONTENTS

SECTION		PAGE
I.	BACKGROUND	1
II.	DESCRIPTION OF THE PREPAID HEALTH PLAN	5
III.	LEGISLATION AFFECTING HMO-PHP	13
IV.	MARKETING AND ENROLLMENT	15
V.	PREPAID HEALTH PLAN EXPENDITURES AND REVENUES	17
VI.	MEDICAL SERVICES FACILITIES AND CAPITAL IMPROVEMENT REQUIREMENTS	22
VII.	REVIEW OF PHP BY COMPREHENSIVE HEALTH PLANNING ASSOCIATION	23
VIII.	FUTURE ISSUES PERTAINING TO THE PREPAID HEALTH PLAN AND IMPLICATIONS FOR DESIGNATION AS A HEALTH MAINTENANCE ORGANIZATION	26
IX.	CONCLUSIONS AND RECOMMENDATIONS	28

EXHIBITS:

A. LEGISLATION AFFECTING HMO-PHP DISCUSSED BY COUNTY COUNSEL

B. PHP COST AND REVENUE ANALYSIS FOR THE PERIOD ENDED DECEMBER 31, 1974

C. COMPREHENSIVE HEALTH PLANNING ASSOCIATION COMMUNITY RESPONSE TO ISSUES SURROUNDING THE CONTRA COSTA COUNTY PREPAID HEALTH PLAN, JANUARY 1975

Public op. Health
Medical aid Contra
Costa co
CA
Health insur. Public

APPENDIX:

1. REPORT ON PRELIMINARY INVESTIGATION INTO ACTUARIAL FEASIBILITY OF PREPAID HEALTH CARE PLAN FOR CERTAIN WELFARE RECIPIENTS OF CONTRA COSTA COUNTY

2. PHP TASK FORCE REPORT TO THE ADMINISTRATION AND FINANCE COMMITTEE, MAY 11, 1973

3. BOARD ORDER DATED AUGUST 17, 1973 AUTHORIZING EXECUTION OF CONTRACT WITH THE STATE OF CALIFORNIA FOR A PREPAID HEALTH PLAN

4. PHP CONTRACT EFFECTIVE NOVEMBER 1, 1974 BETWEEN THE COUNTY OF CONTRA COSTA AND THE STATE DEPARTMENT OF HEALTH

5. LETTER FROM JOINT STRATEGY AND ACTION COMMISSION DATED MARCH 18, 1975 PERTAINING TO THE CONTRA COSTA COUNTY PHP



Digitized by the Internet Archive
in 2026 with funding from
State of California and California State Library

https://archive.org/details/C101743271

BACKGROUND

On September 30, 1974 the Contra Costa County Board of Supervisors ordered the Office of the County Administrator to prepare a report covering the Contra Costa County Prepaid Health Plan.

Contra Costa County authorized execution of a contract with the State of California on August 7, 1973 for operation of a Prepaid Health Plan (PHP) for 20,000 Medi-Cal cash grant recipients. Enrollee services were started effective February 1, 1974 after several months of preparatory efforts and a one-month enrollment period. Prior to the actual commencement of operations of the PHP, the Board of Supervisors and County administration, together with the Human Resources Agency, had been studying the implications of operating a Prepaid Health Plan in the County.

Members of the Contra Costa County Board of Supervisors expressed interest in the Prepaid Health Plan concept as early as 1970 and gave the needed authority to the County Medical Director, George Degnan, M.D., to study the proposed program in 1970. On January 28, 1972 the County was awarded a "demonstration project grant" by the Federal Department of Health, Education and Welfare in the amount of $101,000 to analyze the feasibility and conduct marketing efforts to initiate a PHP.

Subsequent to acceptance of the grant, the County Board of Supervisors on February 22, 1972 authorized execution of a contract with Marsh & McLennan, Inc. of California for provision of an actuarial study. The study was entitled "Report on Preliminary Investigation into Actuarial Feasibility of Prepaid Health Care Plan for Certain Welfare Recipients of Contra Costa County" and is included as Appendix 1 to this report. General conclusions drawn in the study indicated that tight overall control would have to be established if the Prepaid Health Plan were to operate within the funds made available by the State of California, and that a marketing survey should be conducted to determine the extent of interest of potential members in such a program.

The size of the proposed PHP with the accompanying risks indicated further independent advice should be sought prior to making a decision. In early 1973 Contra Costa County Medical Services had an actuarial firm (Coates & Crawford Actuaries) perform a study utilizing data available at the County Hospital and statistics made available by the State of California. The study conclusions filed with the Board of Supervisors on January 11, 1973 indicated that the County would have a good chance of being

able to conduct a Prepaid Health Plan within the income limits then being offered by the State of California if it were to contract with the State.

Further consideration was given to the feasibility of establishing a Prepaid Health Plan during 1973. On May 11, 1973 a special Task Force report was presented to the Board's Administration and Finance Committee which was monitoring this matter on behalf of the Board. This report (included as Appendix 2) pointed out the special emphasis that should be given to control of the program in order to assure that costs would be held within the funds available to finance the program. The report recommended that a contract with the State of California be approved but subject to cost and revenue experience reports being made to the Board of Supervisors on a monthly basis, and initiation of the program within 120 days of the submission date of the report.

A public hearing was set by the Board on July 19, 1973 at 1:30 PM in the Board of Supervisors Chambers to hear proponents and opponents of the proposed program. County Medical Services and others spoke in favor; the Pharmaceutical Association of Contra Costa County, however, was a private provider which expressed concern about not having a role in servicing enrollees in the PHP. On August 7, 1973 the Board of Supervisors authorized execution of a contract with the State of California for a Prepaid Health Plan with the provision that further efforts be made to utilize private providers (pharmacists). The initial one year PHP contract was renewed effective November 1, 1974 for an additional year.

Enrollment began on January 2, 1974 and actual provision of services under the PHP initiated on February 1, 1974. The PHP is now one component of County Medical Services services and revenues. The following schedule shows the source of funding of all County medical/mental health programs for fiscal year 1974-1975. The total projected expenditures for the year will approximate $23,150,000; the PHP portion of total program expenditures is estimated at 9.0%.

Fiscal Year 1974-1975
Actual and Estimated Source of Funding all County
Medical/Mental Health Programs (1)

	Amount	Per Cent of Total
Prepaid Health Premiums (PHP)	$ 2,075,000	9.0
Medi-Cal Regular	3,830,000	16.5
Medicare Regular	1,800,000	7.8
3rd Party Regular and Private Pay	1,590,000	6.9
Medi-Cal Mental Health	1,400,000	6.0
Medicare Mental Health	180,000	0.8
3rd Party Mental Health and Private Pay	340,000	1.5
State Subsidy Mental Health	3,849,896	16.6
Drug Abuse SB 714	226,323	1.0
Alcoholism SB 204	156,663	0.7
SRS	94,337	0.4
T.B. Subsidy	3,000	0.0
Alcoholism - Hughes	46,000	0.2
Functional Retardation	77,000	0.3
Cafeteria Receipts	90,000	0.4
Subtotal All Revenue	$15,758,219	68.1
County Share of Costs of all Programs	7,391,781	31.9
Total Program Costs	$23,150,000	100.0%

In addition to the overall gross program costs of $23,150,000, of which $7,391,781 is the County share of cost in supporting County Medical Services, Contra Costa County is required to pay $7,733,000 under Welfare and Institutions Code Section 14150.1 to the State of California to help support the statewide Medi-Cal program; overall the County's share is estimated at a cost of $15,125,000.

The Contra Costa County Hospital is licensed as a 385-bed hospital (2) located in Martinez, California and is, organizationally, a component of the County Human Resources Agency. It provides medical care for persons unable to pay the full cost of

(1) Source Information 12-20-74 estimates by the County Auditor-Controller, Office of County Administrator, and State Department of Health allocations for the mental health components.

(2) The County Hospital is currently utilizing only 250 beds.

private care and specialized medical services not readily available in the community; these services include emergency, acute communicable disease, tuberculosis, mental health, and rehabilitation. Principal County Hospital outpatient clinics are located in Richmond, Pittsburg and Martinez. The following statistics indicate workload trends in recent years and the projected workload for the 1974-1975 fiscal year:

Management Factor	Actual 1970-1971	Actual 1971-1972	Actual 1972-1973	Actual and Estimated 1973-1974	Projected 1974-1975
Number of admissions	13,353	12,917	12,838	11,400	11,000
Average number of patients in hospital	244	241	199	175	175
Average length of stay (days)	6.7	6.8	5.7	5.6	5.7
Patient days of service	89,037	88,210	72,728	63,600	62,400
Outpatient visits	243,964	229,374	206,177	187,600	190,000

County Hospital services are supplemented by other facilities such as the George Miller Centers for the multiply handicapped, and contractual facilities for mental health, drug abuse and alcoholism patients.

DESCRIPTION OF THE PREPAID HEALTH PLAN

A PHP or HMO is defined as a Prepaid Health Plan or Health Maintenance Organization which arranges, provides and pays the cost of health care. A PHP/HMO has four criteria: it must (1) be comprehensive, (2) be voluntary, (3) be prepaid, and (4) have an organized medical staff.

Prior to development of the PHP enrollment of cash grant Medi-Cal recipients in the PHP, recipients were required to comply with the standard State Medi-Cal regulations controlling utilization of medical services. After the enrollee was admitted to the PHP, the various regulations requiring prior authorization before certain kinds of treatment, and for quantities of treatment exceeding those allowed by law or under the Medi-Cal regulations, were eliminated. The PHP enrollee generally receives care as required and, as indicated in the schedule of services provided, emphasis is given to preventive care through regular examinations and outpatient services.

Initially the Prepaid Health Plan (PHP) assured enrollees that medical and health services would be provided in accordance with Articles 4, 5 and 10 of Chapter III of Subdivision I of Division III of Title 22 of the California Administrative Code irrespective of benefit limitations. These sections of the law have been amended subsequent to the entrance of Contra Costa County into the initial contract with the State of California. The initial contract stipulated that the County PHP would not be responsible for provision of mental health services, services for chronic hemodialysis, major organ transplants, or services in Federal, State or County governmental hospitals for treatment of chronic mental illness, tuberculcsis, chronic narcotism, or chronic alcoholism.

Those subject to inclusion in the program were to be cash grant Medi-Cal recipients and the program enrollment limit was established at 20,000. The breakdown of the 20,000 was to be as follows:

Aid Category	Number of Enrollees	Percentage of Total Enrollment
Aid to Families With Dependent Children	15,960	79.8
Blind	120	.6
Aged	2,140	10.7
Disabled	1,780	8.9
TOTAL	20,000	100.0

The premiums offered by the State in the original contract, and the current contract premiums (effective November 1, 1974), compare as follows:

Category	8-1-73 Premium Per Month	11-1-74 Premium Per Month	Increase (Decrease)	Per Cent Increase (Decrease)
Aid to Families With Dependent Children	$20.89	$26.21	$5.32	25.5
Disabled	$86.13	$92.26	$6.13	7.1
Disabled/Medicare	N/A(1)	$38.84	N/A	N/A
Aged	$29.72	$37.57	$7.85	26.4
Blind	$56.40	$55.50	($ .90)	(1.6%)
Blind/Medicare	N/A	$30.72	N/A	N/A

(1) N/A = Not Applicable.

The November 1, 1974 contract rates were an aggregate increase of approximately 20% as compared to the rates initially established in the contract approved by the Board on August 7, 1973. The initial rates in the contract approved by the Board on August 7, 1973 were based on actual average costs per enrollee category accumulated by the State of California for Medi-Cal payments made during fiscal year 1970-1971 (for covered services) with some relatively minor adjustments.

The following schedule compares benefits under the Medi-Cal program with the benefits provided by the Contra Costa County Prepaid Health Plan. (1)

Medi-Cal Program	County Medical Services (PHP)
1. Outpatient Services	1. Outpatient Services
a. Physician	a. Physician services including all specialties.
b. Chiropractic	b. Chiropractic - Yes.
c. Optometric	c. Optometric - Yes.
d. Podiatric	

(1) The Office of the County Administrator was informed in the course of this study that County Medical Services has not adhered to the limitations of the Medi-Cal program but rather has provided services as determined by County medical staff.

e. Psychology
f. Occupational Therapy
g. Physical Therapy
h. Speech Therapy
i. Audiology
j. Prayer or Healing by Spiritual Means
k. Hospital Outpatient

A maximum of two services per month from the above outpatient services.

d. Podiatric - Yes.
e. Psychology - Yes, Short-Doyle Clinics.
f. Occupation Therapy - Martinez only. For RC and POP* patients, by contract.
g. Physical Therapy - Martinez only. For RC and POP patients by contract.
h. Speech Therapy - Martinez only. For RC and POP patients by contract.
i. Audiology - Martinez only. For RC and POP patients by contract.
j. Prayer or Healing by Spiritual Means - No.
k. Hospital Outpatient - Yes.

There are no specific limits on the above services. Physician determines need.

*Richmond Outpatient Clinic and Pittsburg Outpatient Clinic.

2. Dental
   a. Orthodontia was eliminated from Medi-Cal as of 10-1-71. (Medi-Cal changes again increasing County costs)
   b. The following are not usually authorized. (See Authorization Guidelines.)
      1. Fixed or unilateral removable bridgework.
      2. Gold castings
      3. Jacket crowns
      4. Endodontic treatment for posterior teeth.
      5. No more than two relines for immediate dentures within the first year.
      6. No more than two examinations within a 12 month period.
      7. No more than one full mouth X-ray series or one Panorex type film in a two year period.

2. Dental. Full range of services including orthodontia.
   a. CCS for this County, in terms of their priorities in use of available funds, eliminated any new orthodontia cases as of 12-15-70.
   b. Specific exclusions are gold castings and root canal procedures.

All dental services require prior authorization except the initial visit for examination and evaluation and emergencies.	
3. Medical Transportation a. Ambulance and other medical transportation services are covered when patient's medical and physical condition is such that use of public or private conveyance is medically indicated. b. Medical transportation by air is not covered. c. Use of ambulance to go to a hospital due to an emergency does not require prior authorization. d. All non-emergency transportation requires a physicians prescription and prior authorization.	3. Medical Transportation. a. Ambulance services provided by ambulance companies in the community and paid for by County Medical Services based on a Board of Supervisors resolution. b. Mini-buses operated by a local Mexican-American organization provide patient transportation for medical care.
4. Prescribed Drugs a. Two prescriptions per person per month without prior authorization. b. Restricted to Medi-Cal formulary. c. Non-Medi-Cal formulary drugs require justification and prior authorization. d. Quantity of drug restricted a 100 calendar day supply.	4. Prescribed Drugs. Generally restricted to drugs encompassed in the hospital formulary. Amount prescribed is determined by physician.
5. Laboratory, Radiological and Radioisotape Services a. Examinations, tests, and therapeutic services ordered by a licensed practitioner, within his scope of practice as defined by California laws.	5. Laboratory, Radiological and Radioisotape Services. Radioisotape services are contracted for through the Martinez V.A. Hospital.

6. Medical Supplies a. Restricted to those listed in Section 59998 without prior authorization.	6. Medical Supplies. As prescribed by physician.
7. Prosthetic and Orthotic Appliances a. All prosthetic and orthotic appliances necessary for the restoration of function as replacement of body part. b. A prescription and prior authorization are required when cost, cumulative rental or repair is more than $15.00.	7. Prosthetic and Orthotic Appliances. Letter of authorization is sent to whatever supplier provides the device. No specific restrictions.
8. Hearing Aids a. Only on prescription of an otolaryngologist, or physician where there is no otolaryngologist in the community and an audiological evaluation by or under the supervision of the physician or by a certified audiologist. b. Prior authorization is required for purchase, trial trial rental, or repairs which exceed a cost of $10.00. c. Binaural hearing aids will be authorized only if the hearing loss is associated with legal blindness. d. Replacement, once every three years.	8. Hearing Aids. Same as #7 above.
9. Eye Glasses, Prosthetic Eye and Other Eye Appliances a. Covered on written prescription of physician or optometrist. b. Prior authorization is required.	9. Eye Glasses, Prosthetic Eye, and Other Eye Appliances. Same as #7 above.

c. Prior authorization is required for repair costs exceeding $6.00.
d. There are specific standards for granting authorization.
e. Trifocal lenses not provided except for persons currently wearing them satisfactorily.
f. Frames may not be replaced more often than once every two years.

10. Durable Medical Equipment

a. Prior authorization is required, for listed devices, when purchase, rental, or maintenance costs exceed $15.00.
b. Purchase or rental of unlisted devices requires prior authorization regardless of cost.

10. Durable Medical Equipment. Same as #7 above.

11. Blood and Blood Derivatives
a. As ordered by a physician or dentist and certification by the blood bank or facility that voluntary donations cannot be obtained.

11. Blood and Blood Derivatives.
a. As ordered by the physician.
b. Patient and/or family ask to get donors to replace.

12. Chronic Hemodialysis
a. Inpatient services covered when provided by renal dialysis centers or community dialysis units certified by the State Department of Public Health.
b. Prior authorization is required for outpatient chronic hemodialysis.

12. Chronic Hemodialysis. Not available at County Medical Services. (This service is not required under PHP contract.)

13. Home Health Agency	13. Home Health Agency. Pays for services from either of the two Home Health Agencies in the County.
14. Nursing Home Care a. Prior authorization required. b. Payment - Schedule of Maximum Allowances.	14. Nursing Home Care provided.
15. Hospital Inpatient Care a. 65 days under Basic Schedule. 300 additional days under Supplemental Schedule. b. Emergency admission without prior authorization, 8 days allowed. Length of stay longer than allowed in Length of Stay Schedule for the diagnosis or procedure is covered only if medically justified.	15. Hospital Inpatient Care. a. Physician determined, or b. Amount allowed by utilization review committee.

Mental Health Services Excluded

Mental health services are specifically excluded from the scope of benefits under both the Medi-Cal program and the Contra Costa County Medical Services PHP. Promoters of the PHP in the County have discussed possible inclusion of mental health services under the PHP with State Department of Health officials. However, at this date the services remain excluded. Separate provisions for these services are provided under the Contra Costa County Community Mental Health Program, which program is subject to State laws and regulations separately established.

The program services provided by County Medical Services under the County PHP are not subject to the State regulatory controls such as acquisition of treatment authorization request (TAR) labels, as is the case under the Medi-Cal program. The County program has not employed a formalized utilization review control program that monitors the kinds and number of services provided to individual enrollees, whereas under the State administered Medi-Cal program recipients are subject to limitation on services utilized per month except when prior authorization is obtained.

The Medi-Cal program provides the means for eligibles to acquire a broad, comprehensive spectrum of medical services; however, stringent regulations assure utilization control of these services. At the date of this report, this kind of utilization of services control program has not been employed by the County Medical Services Prepaid Health Plan. An analysis of this type should be employed to maintain control of fiscal requirements in operating the County PHP.

LEGISLATION AFFECTING HMO-PHP

The Office of County Counsel has twice, on July 16, 1974 and January 23, 1975 issued memorandums relating to the PHP. These are portrayed as Exhibit A. In these communications, the Office of County Counsel outlines Federal HMO legislation and State PHP legislation which indicate, among other things, that in no event shall more than 50 per cent of the enrolled population be composed of individuals receiving medical benefits under either Titles XVIII (Medicare) or XIX (Medi-Cal) of the Social Security Act unless a waiver has been granted to the agencies operating the HMO or PHP by the Secretary of Health, Education and Welfare.(1) An HMO or PHP has three years to meet this requirement from the date of initiation of the program. Contra Costa County has progressed into its second year of operating the PHP program, and if a waiver is not obtained the County has only a little over a year to meet this requirement. It appears desirable, therefore, that Contra Costa County immediately pursue a waiver from the above described requirement with the State of California. If the waiver is gained, the County maintains the option to expand or not expand the PHP to groups which have been mentioned such as persons eligible for Medicare, or Medi-Cal, but not receiving a cash grant. The latter group may be included by amendment of the contract with the State.

The Federal HMO law, and regulations, will eventually require that every local private employer with 25 or more employees and subject to the Federal Minimum Wage Standard must include the option of membership in an HMO as part of any health benefit plans offered to employees. There are no regulations which require Contra Costa County to offer this option to County employees at this point in time. However, currently proposed HEW regulations will require employees to offer HMO membership "if a qualified HMO operating in an area where the employees live asks the employer to include HMO membership in its health plan." Accordingly, it appears premature to open the plan to County employees as has been requested by Contra Costa County Employees Association, Local 1. The program should be proved to be self-supporting before this action is authorized.

(1) A waiver of the 50% non-Medi-Cal beneficiary requirement for a PHP by the State Department of Health can be only "for a prescribed and limited period of time." The HMO requirement may be waived only "for good cause shown."

The State PHP regulations also provide that each program shall demonstrate to the Department that all physicians in the plan have staff privileges in one or more of the hospitals to be used by the plan. At present private physicians who are not regular members of the staff may lawfully practice at the County Hospital only if in attendance of a private-pay patient admitted on an emergency basis according to County Counsel. "Therefore, he advises, private physicians may not be given staff privileges at the County Hospital so as to comply with the State's PHP regulations. Conversion to community hospital status is required to permit such staff privileges to private physicians." See Exhibit A, July 16, 1974, page 5.

MARKETING AND ENROLLMENT

Marketing and enrollment procedures are specified in the contract attached to this report and entitled Appendix 4 starting on page 23. Certain aspects of this part of the program should be emphasized. Contra Costa County entered into contracts during calendar year 1974 with two organizations to market the PHP. A total of $98,557 was expended during calendar year 1974 to market the program; $42,551 of this expenditure was financed out of the previously mentioned Federal HMO grant (for the period January 1, 1974 through June 30, 1974). The remaining amount of the marketing expenditure was charged against County resources (for the period July 1, 1974 through December 31, 1974) in the amount of $56,006.

Under the contract with the State, the County has a number of obligations in the marketing and enrollment area. Among these are the following:

. A requirement that the County gain clearance of all printed materials to be distributed to prospective members of the PHP prior to distribution.

. The establishment and maintenance of enrollee grievance procedures by which an aggrieved enrollee may submit his complaint for review and hearing.

. Insure that all marketing representatives, either County employees or contractors of the County, have received instructions from the Department on Acceptable Enrollment Practices and have demonstrated their comprehension of such instructions to the satisfaction of the County.

. Establish a verification program to determine whether or not complete information was provided to the prospective enrollees and they were properly informed of the scope of services, grievance procedure provisions, disenrollment provisions, and Consumer Advisory Group provisions.

. Allow each Medi-Cal public assistance beneficiary residing within the service area of the County PHP an opportunity to enroll voluntarily in the PHP.

At February 1, 1975, 7,103 enrollees had been certified eligible by the State Department of Health. The following schedule indicates the status of enrollees eligible and other categories of potential PHP enrollees and terminated enrollees.

PHP AGGREGATE ENROLLMENT
AND TERMINATED ENROLLMENT STATISTICS

Effective February 1, 1975

Enrollees Certified Eligible February 1, 1975		7103
Add: Pending List Enrollees(1)	1060	
Status in Question Enrollees	145	
Terminated Enrollees	1570	
Total on State Lists		9878
Total Cumulative Enrollees		11378
Less: Total on State Lists		9878
Enrollees in Process this Month		1500

Summary:

Total Certified Eligible	7103
Total Pended or Terminated	2775
Total in Process this Month	1500
Total Cumulative Enrollees	11378
Less: Terminated Enrollees	1570
Net Cumulative Enrollees	9808

(1) Pending Enrollees are individuals who have currently been terminated as Medi-Cal cash grant recipients and are excluded from the field of membership. There is a possibility that they may return to an eligible status.

Enrollment in the PHP has been increasing, and at an accelerating rate; accordingly, it is important to determine if the larger number of enrollees will allow County Medical Services to operate within the revenues being received by the County. It is estimated by the marketing staff that 80% of the eligible Medi-Cal cash grant recipients in the County have been contacted and have had an opportunity to enroll in the PHP. Further, rapid growth is unlikely, therefore, unless the program is expanded to additional categories of enrollees. A disenrollment problem exists because eligibility is lost when cash grant status is terminated; this problem may be overcome by modification of the contract with the State.

PREPAID HEALTH PLAN EXPENDITURES AND REVENUES

The PHP began providing services on February 1, 1974 and statistics and cost data have been gathered for the 11 month period ended December 31, 1974 as well as revenue data for the same period. The following schedule summarizes the experience for the above mentioned period:

CONTRA COSTA COUNTY
PREPAID HEALTH PLAN - 1974

	(A) Actual PHP Costs	(B) PHP Premiums	(C) Excess Costs Over Premiums	Percentage Excess Costs (C ÷ A)
Jan.-June 1974	$ 302,519	$170,311	$132,208	43.7
July-Dec. 1974	748,574	646,759	101,815	13.6
Total 1974	$1,051,093 (1)	$817,070 (2)	$234,023	22.3

(1) a. Costs include Outside PHP Services and PHP Administration. They exclude non-PHP costs such as the Medicare and Medi-Cal Billing Section.
b. July-Dec. total includes $56,006 Marketing Costs. Jan.-June total does not include $42,551 Marketing Costs charged to the HMO Grant.

(2) Premiums of $71,461 for Medicare patients are excluded and costs associated with Medicare patients are also excluded.

The supporting documentation for the actual PHP costs and the PHP premiums is found in Exhibit B.

Actual PHP costs exceeded premiums received by $234,023, or 22.3% for the 12 month period. It should be noted that during the period through June 1974 the excess cost was $132,208, or 43.7% of total cost for that period; whereas in the final six months of the calendar year the excess cost was $101,815, or 13.6% of the actual PHP costs for that period. By the end of

calendar year 1974 the loss ratio had decreased substantially from 43.7% to 13.6% for the two six-month periods under analysis. The reliability of the earlier figures is open to question because of the small size of the program during that period, the startup phase.

While the loss ratio is dropping, it is not known at this time whether actual PHP costs can be held within PHP premiums. It is yet to be determined whether the larger number of persons now enrolled in the PHP will result in revenues equaling or exceeding costs during the first quarter of calendar year 1975. The new County Medical Services information system is capable of analyzing PHP costs, and other program costs, on a timely basis. This information should be accumulated monthly to keep current concerning fiscal experience in the program. An analysis similar to that portrayed in Exhibit B will be prepared for the four month period ending April 30, 1975; thereafter, reports should be prepared periodically and comparative analyses made.

Projected PHP Revenue for Fiscal Year 1974-1975

PHP revenues are estimated at $2,075,000 for fiscal year 1974-1975 based on the accelerating revenues received during the months of November and December 1974 and continuation of this trend into January and February. Marketing funds in the budget for fiscal year 1974-1975 are nearly exhausted at March 31, 1975, and this factor alone is likely to cause the revenue income to stabilize or drop for the remainder of the fiscal year. Beyond that, however, market potential within the presently eligible group has been largely exploited by marketing efforts to date.

The following schedule states PHP enrollment and revenue by month from February 1974 through December 1974 and by Medi-Cal cash grant category.

PHP Revenue Schedule
Eleven Month Period Ended December 31, 1974

1974	AFDC (1)	AFDC (2)	OAS (1)	OAS (2)	ATD (1)	ATD (2)	ATD Medicare (1)	ATD Medicare (2)	AB (1)	AB (2)	AB Medicare (1)	AB Medicare (2)
Feb.	52	$ 1085	12	$ 357	40	$ 3445	5	$ 171	1	$ 56	0	$ 0
Mar.	426	8899	78	2318	181	15590	20	685	3	169	0	0
Apr.	731	15271	127	3774	266	22911	37	1268	3	169	1	33
May	932	19469	154	4577	317	27303	45	1542	5	226	1	33
June	1190	24859	166	4934	355	30576	51	1747	5	282	1	33
July	1402	29288	174	5171	393	33849	48	1644	5	282	1	33
Aug.	1917	40046	188	5587	449	38672	55	1884	8	451	2	66
Sept.	2149	44892	193	5736	475	40912	59	2021	8	451	2	66
Oct.	2510	52433	188	5587	508	43754	63	2158	8	451	2	66
Nov.	3549	93019	191	7175	531	48990	63	2447	8	440	2	62
Dec.	4827	126516	207	7777	561	51758	63	2447	10	555	2	62
TOTAL		$455778		$52993		$357760		$18014		$3532		$454

(1) Enrollee
(2) Amount

Total Revenue	$888,531
Less:	
OAS	52,993
ATD/Medicare	18,014
AB/Medicare	454
Total Deductions	$ 71,461
Net Revenue	$817,070

At December 1974, 5,670 enrollees had cleared State Department of Health review and the County credited with their premium payments. In making the cost-revenue analysis, the OAS group, the ATD-Medicare and the AB-Medicare group were eliminated from both cost and revenue totals because the activity connected with all three of these groups is coded to the Medicare program rather than the PHP program, and these components would not make a significant difference in the overall analysis.

As a result of cost/revenue data now available, it is recommended that steps be taken as soon as practicable to renegotiate the monthly PHP premiums per individual enrollee so that the loss

situation can be eliminated or reduced. At the same time cost control measures should be undertaken by County Medical Services to accomplish the same end. Inflationary trends coupled with potential increases in salaries to be effective on or about July 1, 1975 will have an adverse effect on bringing cost and revenues of the PHP into balance. Adjustment in premium rates prior to expiration of the current contract period on October 31, 1975 is unlikely.

Present depreciation costs connected with County Medical Services plant and equipment are extremely low as a result of the high percentage of plant and equipment which is fully depreciated. If new facilities are provided, the added depreciation cost impact will be significant.

Offset to PHP Costs

County Medical Services must acquire Medi-Cal labels in order to be reimbursed for regular Medi-Cal patients. It has been estimated that approximately $170,000 per year is lost as a result of not being able to collect Medi-Cal labels in situations where services are provided. Overall revenues for regular Medi-Cal and Medi-Cal/Mental Health patients approximate $6,000,000. An approximate 3% loss to the County occurs as a result of being unable to comply with State regulations in collecting the Medi-Cal labels which are necessary for submission of bills resulting in a credit to the County. Costs are incurred in obtaining prior authorization to perform certain services, and extension of stays for individuals who have been confined to the hospital and have exceeded the authorization given by the Medi-Cal consultant. Further additional costs are passed on the County by the State as a result of the State's established "Schedule of Maximum Allowances" (SMA) which in effect reduces the County billings and credits so as not to exceed the "SMA." Taking these matters into consideration, there is a net decrease in County cost to the extent this loss is diminished by the PHP. There is also some savings in not having to pursue these administrative details when a patient is enrolled in the PHP. This factor should be considered when comparing the cost revenue factors associated with the PHP.

Potential Additional Cost Factor

During the course of the study, it was determined that total costs of "Outside County Medical Services PHP Services" amounted to $34,649; this is reflected in Exhibit B. Included in this amount is care of PHP enrollees in convalescent hospitals and nursing homes. The County is responsible for this type of care for PHP

members; because of the newness of the PHP program, however, this is probably not a representative cost experience and this particular form of care will likely rise sharply in the future. This aspect of the program should be subject to continuous review for its cost impact on the PHP program.

REVIEW OF PHP BY COMPREHENSIVE HEALTH PLANNING ASSOCIATION

Early in the PHP study, County administration contacted the Contra Costa County Comprehensive Health Planning Association (CHPA) and requested that the Association play a role in development of the status report concerning the PHP operation. It was agreed that CHPA would contact private providers of medical services throughout Contra Costa County and other agencies related to provision of health care and ask for their comments and evaluation concerning the Contra Costa County PHP. CHPA sent out a letter and questionnaire to approximately 200 agencies as described and requested their comments. Specifically, a questionnaire was presented to these agencies requesting their response on matters that would help evaluate the PHP from the viewpoint of the various providers. As a result of this questionnaire and supporting commentary, the following recommendations were adopted by the CHPA Board.

A. "The Prepaid Health Plan should continue to be available as a viable alternative within the overall medical care delivery system. As such, it should do the following:

1. "Develop and implement a program of public and enrollee education about the use of health and medical services in general and the PHP in particular, with emphasis on primary care and preventive health measures.

2. "Enforce marketing practices that correctly inform the consumer of the nature and scope of PHP services and his options in electing to enroll in the program.

3. "Initiate a consumer/enrollee participation mechanism including outreach and grievance procedures, that could help to identify needed services or special problem areas, and insure input to those responsible for administration of the PHP.

4. "Expand its data base and its capability for developing new data, in order to facilitate future evaluations of costs, effectiveness and health benefits.

5. "Actively explore the feasibility of contracting for both inpatient and outpatient services with institutions and other providers in all geographic areas of the County. Consideration should be given to contracting

with one or two skilled nursing facilities in each geographic area, so that the volume of referrals to these facilities could materially strengthen the programs and services they can offer to County and other patients.

B. "During the next year, the County must make the critical decisions that will determine the future of a prepaid system of health care in Contra Costa County. The following guidelines are recommended:

1. "A prepaid plan should not perpetuate a two level system of medical care, or create a system of medical services for the poor and near poor exclusively. To insure that this does not occur, enrollment should be opened to various segments of the public during the coming year.

   "As a start, it is recommended that the County Council on Aging undertake a survey as to the feasibility of enrolling persons over age 65.

2. "HMO certification potentially strengthens a prepaid system. If non-Medi-Cal enrollment indicates a reasonable likelihood of achieving 50% of total enrollment, the plan should apply for HMO certification under Federal regulations.

3. "Long range planning should take into account the likelihood that a County-sponsored PHP/HMO will have to establish a separate corporate base and include enrollees on its governing body. Careful study of operations, costs, and services required over the next year will be necessary in order for the County to determine the nature and extent of its continued involvement in and provision of medical."

These recommendations were prepared on the basis of preliminary cost data which indicated that the PHP was self-supporting. CHPA review of these recommendations is in order, taking into account the current cost data now available.

A few of the concerns identified in the response to CHPA are indicated below. The first concerns the issue of contracting. "It is clear from responses that some practitioners and institutions in the private medical community view the PHP as both a threat and a potential customer. The PHP clearly anticipates the need for some contractual relationships with other providers, essentially acute hospitals and skilled nursing facilities. The greatest tension appears to be around the solicitation of members which is seen as drawing them away from private physicians." (Page 14)

Marketing practices also came in for comment; the following quotation is from page 15 of the CHPA report: "Marketing appears to be one of the most vehemently criticized aspects of the PHP. The evidence seems to support the contention that prospective enrollees are not given a full and accurate picture of the program including its limitations as well as its strengths. Ultimately, this may have an unfortunate effect on the program's ability to establish satisfactory working relationships in the community."

The CHPA report on page 18 expresses concern about consumer satisfaction: "Very little is known at this point about enrollee satisfaction with the PHP and no systematic attempt to assess this has been made. Disenrollment requests during 1974 totaled 890, which is equal to approximately 10% of the total enrollment during 1974; 328, or approximately 37% of all disenrollment requests for the year occurred in December. As of December 1, 1974, 360 of these requests had been approved by the State. Of these, 71 were due to either death or moving from the area, the rest are attributed to having and wishing to continue using a private physician 179; misunderstanding 67; and dissatisfaction 43."

Participation of enrollees is summarized on page 20 of the report: "Participation by enrollees in the operation of the PHP is clearly nonexistent at present and the mechanism for dealing with grievances does not seem to be firmly established. While more activity in these areas is anticipated in the future, it appears to be tied to the process of applying for Federal HMO certification rather than the current PHP operation."

Overall the CHPA report raises a number of questions concerning broad community participation in the County PHP and also participation by the enrollees in the program. Adequate response to these questions will be required if the PHP is to be a continuing component of the County's medical care system.

The full text of the responses by CHPA is attached (Exhibit C). It should be noted, however, that the primary responses in the CHPA report are those furnished by Contra Costa County Medical Services.

FUTURE ISSUES PERTAINING TO THE PREPAID HEALTH PLAN AND IMPLICATIONS OF DESIGNATION AS A HEALTH MAINTENANCE ORGANIZATION

If the financing of the PHP is stabilized, consideration will need to be given to proposals for its expansion, for example to Medicare recipients and/or to Medi-Cal recipients not entitled to a cash grant. Further, consideration will need to be given to proposals for conversion of the Prepaid Health Plan into a Health Maintenance Organization pursuant to Federal legislation and policy. In this connection, the relationship of the PHP and/or HMO to proposed additional Federal and State legislation must be considered. Indications are that Federal National Health Insurance legislation will be enacted within the foreseeable future. Unknown at this time but of consequence is the potential role of this and counties in provision of health care pursuant to said legislation.

Representatives of County Medical Services are aware of forthcoming changes in this area and have indicated a desire to establish a "community based, independent, federally certified HMO available to the general population" as the appropriate County response. This is noted in the report of the Comprehensive Health Planning Association (page 24), which report also notes that the question of the Board of Supervisors role in any new organization, how inpatient services will be contracted in various communities, and how indigents will be covered are questions still to be answered.

Of more immediate concern, should the PHP be continued, is the question of applying for certification as an HMO pursuant to Federal law. On June 24, 1974 authorization was granted for submittal of a $350,000 HMO grant application to HEW pursuant to the Health Maintenance Organization Act of 1973. This application was authorized with the understanding that the proposal would be reviewed prior to acceptance of any grant which might be authorized. In this connection, County Counsel has advised that receipt of a grant for marketing and expansion of such a program implies a good faith intent to move toward Health Maintenance Organization status. Counsel has further advised (references are to memorandum dated July 16, 1974) that both Federal HMO and State PHP laws require that membership not be limited to indigent persons only. The clear implications of these provisions relate to the concept of "mainstream" medicine originally enacted in the mid-1960s with Medicare and Medi-Cal legislation to allow poor

persons to seek care through private hospitals and physicians rather than exclusively through County Hospitals as in the past. While the intent of this legislation was most directly related to private providers, to require acceptance by such providers of a broad range of the population including poor persons, the reverse situation applies to the County inasmuch as County care has previously been directed to those unable to pay. Thus, the County is in the position with its PHP of seeking to expand its services into the general population, whereas the thrust of the regulations may have been to assure that private providers are also caring for those otherwise unable to pay.

Corollary to the scope of coverage under a Health Maintenance Organization is the requirement that the HMO be organized in such manner that at least one-third of the membership of the policy making body of the HMO be members of the organization, and that there will be equitable representation on such body of members of the medically underserved population served by the organization. These are complications which will need to be faced if the County determines to press ahead with designation as a Health Maintenance Organization.

Federal HMO legislation also requires that the provider furnish certain "basic health services." These are cited on page 5 in the memorandum of County Counsel dated July 16, 1974 (Exhibit A) and are quite broad and extensive in nature.

In light of the practical and legal implications of these citations from Federal and State laws governing PHPs and HMOs, it is clear that careful consideration must be given to the County's future role in the provision of medical care, and to adherence to the requirements cited above.

The PHP and HMO concepts as a means of providing medical care have considerable philosophical support. The objective of insuring broad health care by keeping people well, or seeking their recovery as rapidly as possible, by providing an insurance premium (or capitation payment) has much to offer. On the other hand, the amount of such insurance premiums are critical to the continuing success of the program. Payments must be large enough to cover services rendered, or services restricted and tailored to stay within the amount allotted. One danger, therefore, particularly in times of a rapid inflation in medical care costs, is that premium payments will not be adjusted by Federal and/or State levels as rapidly as County costs increase because of Federal and/or State budget limitations. The County has experienced exactly this problem heretofore with Medi-Cal legislation and cutbacks and it is an ever present danger in this type program.

CONCLUSIONS AND RECOMMENDATIONS

The Prepaid Health Plan has been in operation for approximately 14 months and has demonstrated that such a program is a feasible approach for public agencies. However, as may be expected with a new program, a number of problems do exist. Among these are the following:

1. The cost of providing services, contrary to initial indications, has been exceeding revenues but at a decreasing rate. Until it is clear that the program can be financially self-supporting, it would not be prudent to allow significant expansion. On the other hand, a fully adequate test will require additional time inasmuch as enrollment has only recently approached its present level. Continuation of the program, therefore, with a limited marketing effort is recommended through the remainder of the present fiscal year. Costs should be scrutinized in the interim and a tentative decision made to continue, expand or terminate the program in conjunction with review of the budget for the 1975-1976 fiscal year.

2. Continued marketing efforts should mainly utilize regular County employees as marketing funds are nearly exhausted and the present incentive system has been the subject of adverse criticism.

3. The PHP presently has a number of administrative concerns to which appropriate response is required. Among these are the following:

    a. Establishment of procedures for reviewing use of services by individual enrollees.

    b. Mandatory disenrollments resulting from loss of cash grant status causing lack of continuity in provision of medical care.

    c. Establishment of a consumer grievance procedure and consumer advisory group.

    d. Enactment of contracts of service with other medical care providers to enhance acceptability.

4. Continuing PHP, or alternatively HMO, status will present complications in terms of:

   a. The requirement that not more than 50% Medi-Cal beneficiaries be enrolled at the completion of the third contract year.

   b. The HMO requirement that the program be organized in such a manner that one-third of the membership of the policy making body be members of the organization, and that there be equitable representation from the medically underserved population.

   c. Potential conversion of the County Hospital to community hospital status.

5. Substantial expenditures for capital improvements may be required if PHP or HMO status compels the County to continue to render medical services that other providers might otherwise furnish, or if either program results in the need for new or replacement facilities to provide for the greater patient volune.

6. A plan and budget should be developed by County Medical Services specifying the actions it believes the County should take with respect to the PHP and/or HMO during the next one to three year period. This plan should indicate what actions are proposed, and why and how they will be accomplished.

A number of California counties, under the mainstream concept of medical care, have closed their county hospitals and developed alternative arrangements for care of county patients. A different approach has been followed in Contra Costa County with its Prepaid Health Plan. The implications of this course of action, and of expansion of the role of the County in the provision of medical care in the community through broadening of the Prepaid Health Plan or designation of the County as a Health Maintenance Organization warrants thoughtful policy and fiscal consideration in light of probable enactment of national health insurance legislation.

EXHIBIT A

LEGISLATION AFFECTING HMO-PHP
DISCUSSED BY COUNTY COUNSEL

(Communications dated July 16, 1974
and January 23, 1975)

COUNTY COUNSEL'S OFFICE
CONTRA COSTA COUNTY
MARTINEZ, CALIFORNIA

July 16, 1974

To: Board of Supervisors
Attn: Human Resources Committee

From: John B. Clausen, County Counsel
By: Gerald A. Becker, Deputy County Counsel

Re: Legislation affecting HMO-PHP discussed

By Board Order dated June 24, 1974, this office was requested to analyze all legislation affecting the County's Prepaid Health Plan (PHP) and report to your Committee. This request was made in connection with a $350,000 grant application submitted by the Board to HEW requesting additional federal funds for the PHP. We have reviewed the applicable federal and state laws and regulations, as well as the County's 1972 federal grant application for $101,000 and the County's 1973 PHP contract with the State. Our research discloses the following areas of possible interest or concern.

1. County commitment to developing a Health Maintenance Organization (HMO) by accepting federal grant.

Although we have not been provided a copy of the grant application, we assume it was submitted pursuant to one or more of the provisions of the federal "Health Maintenance Organization Act of 1973" (42 U.S.C.A. §§300e et seq.) authorizing such grants. Although there is no statutory provision specifically requiring a grant recipient to follow through with full-scale operation of an HMO, receipt of a grant for marketing and expansion of such a program reasonably implies both a good faith intent and attempt by the County to do so. Furthermore, proposed but as yet unadopted federal regulations provide in part that "[a]ny public...entity, which is or which proposes to become a health maintenance organization is eligible to apply for a grant..." for planning and initial development costs. (proposed 42 CFR §110.402(a) - emphasis added)

2. Membership of non-Medi-Cal beneficiaries.

Both the federal HMO law and the state PHP law require that membership not be limited to indigent persons only. The federal law provides that an HMO shall:

> "enroll persons who are broadly representative of the various age, social and income groups within the area it serves... ."
> (42 U.S.C.A. §300e(c)(3) - emphasis added)

The proposed federal regulations further provide:

> "That in no event shall more than 50 percent of the enrolled population be composed of individuals receiving medical benefits under either Titles XVIII [Medicare] or XIX [Medi-Cal] of the Social Security Act unless for good cause shown the Secretary [of H.E.W.] waives such requirement."

A similar limitation is presently found in the state law. Welfare & Institutions Code §14307 provides that:

> "Prepaid health plans shall make all reasonable efforts to achieve, by the third contract year, an enrollment of not more than 50 percent Medi-Cal beneficiaries."

The implementing regulation issued by the State Department of Health Care Services is less specific. 22 Cal.Admin. Code §51845 provides that:

> "Unless specifically authorized by the Department for a prescribed and limited period of time, a prepaid health plan shall not limit enrollment to Medi-Cal beneficiaries and shall enroll and maintain a reasonable ratio of Medi-Cal beneficiaries to other subscribers." (emphasis added)

The County's PHP contract with the State contains even less specific references to this limitation but they are nevertheless present. Article III.E. (p. 6) of the contract reads:

> "Providers of services [doctors, nurses, etc.] to enrollees should acquire and maintain a reasonable private patient to Medi-Cal enrollee ratio. Such providers should not treat Medi-Cal enrollees exclusively."

Article V.,A., §29 (p. 17) of the contract requires the County to:

> "Demonstrate that the PHP is not providing care for Medi-Cal enrollees exclusively."

Of course regulations and contract provisions cannot amend the State law (§14307) but only implement it.

Prior to execution of the PHP contract, this office commented on the effect this limitation would have on the operation of the County Hospital. In response to your present request, we again repeat the advice we have given so often in the past: Unless converted to "community hospital" status pursuant to W.&I. Code §14000.2, the County Hospital lawfully may treat private paying patients only in cases of emergency and not otherwise. (See our Opns. Nos. 71-124, 154; Goodall v. Brite [1936] 11 C.A.2d 540, 54 P.2d 510, hrg. den.) Without conversion to community hospital status, it is our opinion that there is no lawful authority for the County Hospital to treat private patients (except in cases of emergency) either within or without the PHP.

3. HMO as required health plan option for private employers.

The federal HMO law (42 U.S.C.A. §300e-9) requires that every local private employer with 25 or more employees and who is subject to the federal minimum wage law, must include the option of membership in the HMO as part of any health benefits plan offered to its employees. At present no proposed regulations to implement this provision have been published, but such proposed regulations are expected shortly. The federal law does provide safeguards against over-enrollment (see 42 U.S.C.A. §300e(c)(4) and proposed 42 CFR §110.107(d) and (e)); however, mandatory enrollment of employees from the private sector raises the same issues with respect to private-pay patients as discussed above in Section 2.

4. Member representation on PHP governing board.

While there are no state law requirements that PHP members participate in policy-making decisions, the federal law requires that an HMO:

> "be organized in such a manner that assures that (A) at least one-third of the membership of the policy-making body of the health maintenance organization will be members of the organization, and (B) there will be equitable representation on such body of members from medically underserved populations served by the organization."

The proposed federal regulations define "medically underserved population" as "an urban or rural area...with a shortage of personal health services," and provide the criteria by which the Secretary of H.E.W. is to make such designations. (See proposed 42 CFR 110.101(g).)

As this office previously advised the Board in our March 7, 1972 memorandum recommending, pursuant to Health & Safety Code §1441, that the Board not approve the proposed medical staff by-laws, the Board of Supervisors is the governing body of the County Hospital and may not lawfully delegate its duty to prescribe the rules and regulations for its operation and management. Our advice remains the same with respect to member participation on a "governing body" of the PHP. Legislative clarification should be sought. Either State law should be amended to allow setting up a separate hospital board to operate the hospital, or the Federal law should be clarified to recognize the Board of Supervisors as the governing body.

We note that as part of our 1972 federal grant of $101,000 approved by H.E.W., we were given $5,000 to set up a formal "Consumer Advisory Board" as the vehicle for consumer input into the PHP. There is no mention made that this Board would operate in anything but an advisory capacity. Of course, this grant was approved before enactment of the federal "Health Maintenance Organization Act of 1973" which first required that one-third of the governing body be composed of HMO members.

The only other alternative we see which would allow the PHP to comply with this federal requirement would be for the Board of Supervisors, under W.&I. Code §14000.2, to:

> "transfer the maintenance, operation and management or ownership of the county hospital to the University of California or any other public agency or community nonprofit corporation...[upon] such terms and conditions as the board of supervisors find necessary... ."

5. Staff privileges at County Hospital for private physicians.

The state PHP regulations (22 Cal.Admin. Code §51681) provide that:

> "Each prepaid health plan...shall demonstrate to the Department that all physicians in the plan have staff

privileges in one or more of the hospitals to be used by the plan."

At present, private physicians lawfully may practice at the County Hospital only if in attendance of a private-pay patient admitted on an emergency basis (10 Ops.Cal.Atty.Gen. 169 [1947] #47-9; 8 Ops.Cal.Atty.Gen. 246 [1946] #46-344; our Opns. Nos. 72-148 and 71-124). Therefore, private physicians may not be given staff privileges at the County Hospital so as to comply with the State's PHP regulations. Once again, conversion to "community hospital" status is required to permit staff privileges to private physicians.

With respect to the staff, we also mention that the federal HMO law (42 U.S.C.A. §300e(c)(10)) requires that the HMO provide "continuing education for its health professional staff."

6. HMO-required range of services.

A federal HMO is required to provide the following "basic health services":

a. physician services--which may include dentists, osteopaths, optometrists, podiatrists, or "other licensed health professionals";

b. inpatient and outpatient hospital services--including short-term rehabilitation services;

c. medically necessary emergency services;

d. short-term (20 visits or less per year) outpatient evaluative and crisis intervention mental health services;

e. medical treatment and referral service for alcohol and drug problems;

f. diagnostic laboratory and diagnostic and therapeutic radiology services;

g. home health services;

h. preventive health services--including voluntary

family planning, infertility services, children's dental care and eye examination, and immunizations;

i. medical social services; and

j. health education services.

In addition, if the manpower is available, at least the following "supplemental health services" must be provided to members who have contracted therefor:

a. intermediate and long-term care;

b. vision, dental and mental health care not provided as basic health services;

c. long-term physical medicine and rehabilitative services;

d. prescription drugs.

Even if all the above services are presently offered by the County, provision of such services to all HMO participants may be expected to require significant reorganization.

In summary, it is quite obvious that both PHP and HMO envision medically indigent persons being provided medical services from the same medical delivery system that provides for other income levels. For the County Hospital properly to provide PHP or HMO services, we believe legislative changes are required as well as subsequent action by this Board to conform to State and Federal requirements.

GAB:lh

cc: Alfred M. Dias
James E. Moriarty
Edmund A. Linscheid
County Administrator
Human Resources Director

CAH 400

COUNTY COUNSEL'S OFFICE
CONTRA COSTA COUNTY
MARTINEZ, CALIFORNIA

1/15

January 23, 1975

Contra Costa County
RECEIVED
JAN 28 1975
Office of
County Administrator

To: R. E. Jornlin, Human Resources Director

From: John B. Clausen, County Counsel
By: Gerald A. Becker, Deputy County Counsel G. A. B.

Re: PHP may include all Medi-Cal beneficiaries.

In your memorandum of January 7, 1975, you asked our opinion on the following (restated):

QUESTION: May Medi-Cal beneficiaries, other than cash grant recipients, be enrolled in the County's Prepaid Health Plan?

ANSWER: Yes, but their enrollment is not provided for under the present PHP contract, nor will the State make capitation payments for such enrollments.

DISCUSSION: Financial eligibility requirements for Medi-Cal benefits are found in Welfare & Institutions Code §14005 - 14005.15. Persons receiving public assistance (cash grants) are eligible (§14005.1), as well as persons who are "medically indigent" (§14005.7) but who do not receive a monthly cash grant.

The stated purpose of the Prepaid Health Plan Act (W.&I. Code §§14200 et seq.) is:

> "to afford persons eligible to receive benefits under Chapter 7 (commencing with Section 14000) of this part the opportunity to enroll as regular subscribers in prepaid health plans... ." (W.&I. Code §14200.1 - emphasis added)

W.&.I. Code §14201 further provides in pertinent part, that:

> "The intent of the Legislature is to provide, to the extent feasible, through the provisions of this chapter and the necessarily related provisions of Chapter 7 (commencing with Section 14000) of this part, recipients of public assistance and medically indigent aged & other persons with the opportunity to enroll in prepaid health plans." (emphasis added)

Therefore, the Prepaid Health Plan Act evidences an intent to include all Medi-Cal beneficiaries, cash grant or otherwise, as eligible to enroll in a prepaid health plan.

Nevertheless, the County's present PHP contract with the State does not provide for enrollment of "medically indigent" Medi-Cal beneficiaries. Under the contract, enrollment and capitation payments are restricted to specified aid categories (all cash grant), and there are sanctions against over-enrollment. (Art.VII, B.,2 [p.24])

The relevant State law and regulations make it clear that the number and categories of Medi-Cal beneficiaries to be enrolled in a PHP are controlled entirely by the terms of the contract between the State and the PHP provider. W.&I. Code §14301 provides in pertinent part, that:

> "The contract [with the State] shall provide the specific sums which the state shall pay the prepaid health plan each month for each beneficiary enrolled in the prepaid health plan." (emphasis added)

W.&I. Code §14400 provides in pertinent part, that a prepaid health plan must have a yearly open enrollment period during which period it must accept eligible individuals:

> "up to the limit of its capactity or the limit of its contract... ." (emphasis added)

Finally, 22 Cal. Admin. Code §51805 (e) provides that a prepaid health plan proposal must include:

> "The number of aid categories of beneficiaries to be enrolled."

In summary, the Prepaid Health Plan Act provides for enrollment of "medically indigent" non-cash-grant Medi-Cal beneficiaries, but in our opinion enrollment of these persons is permissive, not mandatory, and depends upon the terms of the County's PHP contract with the State. The fact that the State will not make capitation payments for these enrollees, whereas in a non-prepayment situation the State is responsible for certain of their medical expenses, reinforces this opinion. If the County wishes to enroll "medically indigent" Medi-Cal beneficiaries in the PHP, we suggest that the State be contacted concerning its willingness to make capitation payments for such enrollees, and if so, that the PHP contract be amended accordingly.

GAB:JJ

cc: County Administrator

EXHIBIT B

PHP COST AND REVENUE ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 1974

CONTRA COSTA COUNTY
PREPAID HEALTH PLAN - 1974

	Actual PHP Costs	PHP Premiums	Difference
January-June 1974	$ 302,519	$170,311	$132,208
July-December 1974	748,574	646,759	101,815
Total 1974	$1,051,093 (1)	$817,070 (2)	$234,023

	Total Medical Services Costs	PHP Costs	% of Total
January-June 1974	$10,040,171	$ 302,519	3.01
July-December 1974	11,109,547	748,574	6.74
Total 1974	$21,149,718	$1,051,093	4.97

(1) a. Costs include Outside PHP Services and PHP Administration. They exclude non-PHP costs such as the Medicare and Medi-Cal Billing Section.

b. July-December total includes $56,006 Marketing Costs. January-June total does not include $42,551 Marketing Costs charged to the PHP Grant.

(2) Premiums of $71,461 for Medicare patients are excluded, and costs for Medicare patients are excluded.

PHP COST ANALYSIS
JAN. - DEC. 1974 *

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Cost Ctr. No.		Total Actual Costs (CASA)	PHP Costs (Based on RVS Units %)		PHP Costs (Based on Std. Costs %)
1	301	MATERNITY	WARD 817504	20412		20529
2	302	NURSERY	221719	1022		1034
3	304	MEDICAL	1154738	53572		53874
4	307	SURGICAL	878276	40900		40162
5	308	I.C.U.	514546	23333		23268
6	310	PEDS./GYN	845302	55748		56744
7	316	ISOLATION	288045	9208		9344
8	325	REHAB.	917118	27194		28012
9	326	R.C.U.	120489	—		—
10	327	T.B.	91437	—		—
11						
12	330	OPERATING ROOM	537170	33949		33949
13	331	SURGERY	PROF. COMP. 274095	14783		14799
14	335	ANESTHES.	" " 78052	4241		4086
15	340	DELIVERY ROOM	72146	4372		4372
15	345	PHARMACY	MTZ. 500266	24329		24329
17	346	"	RICH. 354490	26138		27927
18	347	"	PITT. 214110	20260		17519
19	350	CENTRAL SUPPLY	263310	14478		10301
20	352	E.K.G.	MTZ. 15915	727		594
21	355	RADIOLOGY	" 541149	27433		22396
22	356	"	RICH. 107231	7655		8222
23	357	"	PITT. 105914	9118		10172
24	360	E.E.G.	27111	1192		1159
25	365	LABORATORY	MTZ. 817036	34694		34697
26	366	"	RICH. 123346	9218		9311
27	367	"	PITT. 41382	6262		6262
28	370	REHAB. THERAPY	455420	12423		13893
29						
30	380	REG CLINIC	MTZ 1734038	102951		106005
31	384	" "	RICH. 1894188	192349		192926
32	388	" "	PITT. 789374	95114		101965
33	390	" "	OAKLEY 66344	4570		4144
34						
35	383	K.D.U.	548849	—		—
36						
37		SUB-TOTALS	14416150	877645		876994
38	462	OUTSIDE PHP SVCS.	34649	34649		34649
39	554	PHP ADMIN.	138799	138799		138799
40						
			14589598	1051093		1050442

Prepared By
Approved By

PHP COST ANALYSIS (X)
JULY - DEC. 1974

(X) = (X)

COLUMN	1	2	3	4	5	6	7	8	9	10	11	12
COST CTR. NO.	DESCRIPTION	PHP RVS UNITS	TOTAL RVS UNITS	PHP RVS % (Col 1 ÷ Col 2)		PHP STD. COST $	TOTAL STD. COST $	PHP STD COST % (Col 5 ÷ Col 6)		TOTAL (CASA) ACTUAL COST $	PHP ACTUAL COSTS (Col 3 x Col 9)	PHP ALLOC. COSTS (Col 7 x Col 9)
301	MATERNITY WARD A	67	908	6.28		7240	115108	6.36		1650335	104364	10471
302	NURSERY " A	2	177	.26		2227	82725	2.27		1154911	3000	3127
304	MEDICAL " B	338	5479	6.17		42974	682567	6.30		6215774	38537	31159
307	SURGICAL " C	279	4079	6.84		34892	525821	6.64		4550981	31059	30151
308	I.C.U. " C	53	1171	4.53		11990	263058	4.56		2207127	12263	12346
310	PEDS./GYN " D	257	2942	8.74		33393	372571	8.94		4319338	38188	39214
314	ISOLATION " H	55	900	6.11		7000	111233	6.24		1507111	9208	9344
326	REHABILITATION F/G	131	2925	4.48		14742	326541	4.58		4179896	18699	11117
326	R.C.U. " F/G	—	603	—		—	74251	—		1264489	168618	157157
330	OPERATING ROOM	1615	5657	28.55		10506	150233	6.99		2624445	18345	15345
331	DIRECT-BAR. COMP.	831	13352	6.22		8529	136924	6.23		1590883	9875	5911
335	ANESTH. - "	1039	8402	12.37		2481	32207	7.54		449771	3391	3371
340	DELIVERY ROOM	113	604	18.71		857	16561	5.78		411579	2403	2413
345	PHARMACY - MTZ	3372	24316	16.30		17127	265526	6.45		2676772	17749	17749
345	" - RICH.	4904	48150	10.19		17867	203848	8.76		1777463	18033	15545
347	" - PITTS.	2718	28947	12.84		13278	120158	11.05		1192208	14115	12178
350	CENTRAL SUPPLY	2302	29623	7.77		4101	80589	5.09		1335564	10378	6798
354	E.K.G. - MTZ	4645	101650	4.57		11643	43490	3.73		1551915	7127	5944
355	RADIOLOGY - MTZ	8397	115260	7.28		16198	272183	5.95		2711006	19737	16131
351	" - RICH.	3820	43215	8.84		6163	65013	9.48		650229	36154	6170
357	" - PITTS.	2799	25411	11.01		5123	40691	12.59		591229	6496	7428
359	E.E.G.	1165	17340	6.72		895	13832	6.47		139779	839	904
365	LABORATORY - MTZ	126011	2189953	5.75		25818	447193	5.77		4514354	23819	23904
365	" - RICH.	29726	297547	9.99		5847	57383	10.08		574606	1461	6518
367	" - PITTS.	19910	148364	13.42		6473	28944	22.19		2481196	5527	5547
370	REHAB. CTR.	8831	256856	3.44		8241	204301	4.03		2301443	17217	9275
330	REG. CLINIC - MTZ	44746	561399	7.97		6185	74618	8.29		954133	76044	79078
354	" - RICH.	63665	468581	13.59		8321	64137	13.63		985382	133913	134318
388	" - PITTS.	47695	387798	11.45		6999	38696	18.09		4154448	68341	55155
371	" - OAKLEY	1862	29798	6.22		2120	39802	5.33		462284	2893	2467
383	K.D.U.	—	67	—		—	11683	—		36437	—	45797
	SUB-TOTALS					542961	6605598			75437449	611580	613782
462	OUTSIDE PHP SVCS									34649	34649	34649
354	PHP ADMIN.									1042345	102345	102345
										7680943	748574	750776

* STANDARD COST % WAS USED BECAUSE R.V.S. % APPEARS TO BE INCORRECT

Prepared By
Approved By

PHP Cost Analysis
JAN - JUNE 1974

Cost Ctr. No.	Description		PHP RVS Units	Total RVS Units	PHP RVS % (Col 1 ÷ Col 2)		PHP Std. Cost *	Total Std. Costs *	PHP Std Cost % (Col 5 ÷ Col 6)	Total CAH Actual Costs *	PHP Actual Costs (Col 3 × Col 9)	PHP Actual Costs (Col 7 × Col 9)
301	MATERNITY WARD	A	5.5	835	.659		52274	89198	1.58	152469	10042	13032
302	NURSERY	A	1.1	882	.68		5214	76379	.68	106920	727	727
304	MEDICAL	B	1.33	4717	2.82		12524	452798	2.76	53511.6	15035	14715
307	SURGICAL	C	9.8	4222	2.32		51408	398709	2.36	424135	9841	10011
308	C.C.U.	C	4.9	1010	4.85		7938	177178	4.48	242839	11070	10324
310	PEDS / GYN	D	1.28	2975	4.30		17214	281871	4.32	408264	17568	17687
316	ISOLATION	H	—	863	—		—	81122	—	137334	—	—
325	REHAB.	F2	7.7	4281	1.79		68532	385581	1.78	499724	8495	8895
326	R.C.U.											
327	I.C.	I	—	526	—		—	46322	—	91437	—	—
330	OPERATING ROOM		9.48	621.7	1.525	X	5467	96307	5.68	274725	15034	15604
331	SURGICAL - PROF. COMP		83	4074	2.04	X	10078	25301	4.25	115006	4885	4885
335	PHYSTH. - "		18.4	7244	2.57		531	25243	2.11	33308	969	635
342	DELIVERY ROOM		9.4	599	15.69	X	595	9238	6.44	30567	1962	1962
345	PHARMACY - MTZ		1.604	16636	9.64	X	6444	219141	2.94	223796	6580	6580
346	" - RICH.		2.254	58344	4.55		8177	196146	4.17	177039	8055	7387
347	" - PITTS.		1.835	34208	5.88		5513	101273	5.44	103792	6109	5341
350	CENTRAL SUPPLY		6.15	19458	3.16		2257	83456	2.70	129744	4100	3503
352	E.K.G. - MTZ		—	103	—		—	64	—	—	—	—
355	RADIOLOGY - MTZ		5.56	19480	2.85		15218	224824	2.31	270043	7696	6255
356	" - RICH.		1.826	40469	4.51		21134	438338	4.85	421147	19014	20522
357	" - PITTS.		1.304	23287	5.59		16942	289778	5.85	449144	26274	27447
360	E.E.G.		.356	10090	1.93		766	13732	1.87	131334	2538	2555
365	LABORATORY - MTZ		44.34	238690	2.70		11736	437121	2.69	407848	10875	10795
366	" - RICH.		16.026	341123	4.70		27612	580122	4.76	586854	27588	27933
367	" - PITTS.		2.191	123270	1.78	X	9348	209488	4.46	164764	7355	7355
371	REHAB. THERAPY		.676	33757	2.00		4704	228986	2.05	225777	4506	4618
390	KEG CLINIC - MTZ		11.492	60451	1.87	X	23388	678809	3.44	779905	26907	26407
383	K.D.U.		—	73	—		—	12276	—	29455	—	—
394	REG. CLINIC - RICH		31863	572903	6.43		39079	605378	6.45	908806	58436	58618
333	" - PITTS		2.630	94737	7.14		22357	311704	7.17	273924	20773	20810
390	" - OAKLEY		.744	7384	10.05	X	646	7728	8.36	29960	1677	1672
			176795				199689			6872201	266068	263212
554	PPH ADMIN									36454	36454	36454
										6908655	302519	299666

PHP Revenue Schedule
Eleven Month Period Ended December 31, 1974

1974	AFDC (1)	AFDC (2)	OAS (1)	OAS (2)	ATD (1)	ATD (2)	ATD Medicare (1)	ATD Medicare (2)	AB (1)	AB (2)	AB Medicare (1)	AB Medicare (2)
Feb.	52	1085	12	357	40	3445	5	171	1	56	0	0
Mar.	426	8899	78	2318	181	15590	20	685	3	169	0	0
Apr.	731	15271	127	3774	266	22911	37	1268	3	169	1	33
May	932	19469	154	4577	317	27303	45	1542	5	226	1	33
June	1190	24859	166	4934	355	30576	51	1747	5	282	1	33
July	1402	29288	174	5171	393	33849	48	1644	5	282	1	33
Aug.	1917	40046	188	5587	449	38672	55	1884	8	451	2	66
Sept.	2149	44892	193	5736	475	40912	59	2021	8	451	2	66
Oct.	2510	52433	188	5587	508	43754	63	2158	8	451	2	66
Nov.	3549	93019	191	7175	531	48990	63	2447	8	440	2	62
Dec.	4827	126516	207	7777	561	51758	63	2447	10	555	2	62
TOTAL		455778		52993		357760		18014		3532		454

(1) Enrollee
(2) Amount

Total Revenue	$888,531
Less:	
OAS	52,993
ATD/Medicare	18,014
AB/Medicare	454
Total Deductions	$ 71,461
Net Revenue	$ 71,461

EXHIBIT C

COMPREHENSIVE HEALTH PLANNING ASSOCIATION
COMMUNITY RESPONSE TO ISSUES SURROUNDING
THE CONTRA COSTA COUNTY PREPAID HEALTH PLAN
JANUARY 1975

COMMUNITY RESPONSES TO ISSUES SURROUNDING THE COUNTY PRE-PAID HEALTH PLAN

Joseph Hirsch, O.D.
President

Joseph M. Hafey
Executive Director

Staff

Cynthia Crawford,
Coordinator

Barbara Adler

JANUARY 15, 1975

chpa comprehensive
HEALTH PLANNING ASSOCIATION
of contra costa county

January 15, 1974

Arthur G. Will, Administrator
Contra Costa County
651 Pine Street
Martinez, California 94553

Dear Mr. Will:

Attached please find our preliminary Prepaid Health Plan Study report, reflecting the views and concerns of various segments of the community. As you requested, Comprehensive Health Planning made a substantial effort to solicit such views from professional, lay, and community groups and organizations, all of whom were made aware of the purpose of the study.

To facilitate this process, Comprehensive Health Planning developed a set of issues and questions on various aspects of the Prepaid Health Plan operation, and these were sent out to over 225 separate agencies or individuals. A copy of the issues and questions, along with the list of these to whom it was sent, was forwarded to your office earlier.

I trust the attached report will prove helpful to you, and will prove of value in the decision making process. In the course of the next few weeks, Comprehensive Health Planning will be developing its own positions in regard to many of the areas discussed in this report, and will look forward to sharing these with you.

Sincerely,

JOSEPH HIRSCH, O.D.
President

JH:lp

TABLE OF CONTENTS

I. INTRODUCTION 1

II. ANALYSIS OF RESPONSES BY ISSUE

A. EFFECT ON DELIVERY OF HEALTH SERVICES 3

B. COSTS 8

C. RELATIONSHIPS WITH THE LARGER MEDICAL CARE SYSTEM 12

D. ENROLLMENT AND MARKETING 15

E. CONSUMER SATISFACTION 17

F. CONSUMER PARTICIPATION 19

G. THE FUTURE ROLE OF THE COUNTY PHP 21

III. SUMMARY OF RESPONSES 25

APPENDIX - Copies of Responses

I. INTRODUCTION

A. DESCRIPTION OF REPORT

The following report is a summary of responses to the issues and questions developed by the Comprehensive Health Planning Association of Contra Costa County around the County Medical Service's Prepaid Health Plan. The issues and questions were developed by CHPA in order to facilitate and focus the views of the lay and professional communities who might wish to have input into the decision-making process concerning the PHP.

The responses received by CHPA varied extensively and dealt with diverse issues. In order to arrange this material in some sort of logical order, we have chosen to use the original set of issues and questions as the basic format. Responses are then summarized under the particular question to which they seem most closely related. Mr. Donald Ludwig, representing Contra Costa County Medical Services Prepaid Health Plan, provided answers to all the questions. His responses immediately follow each question and provide a base of CMS philosophy against which to analyze community views. At the end of each major section, a brief summary by CHPA staff is provided.

Also included at the beginning is a list of all those responding. This will aid in identifying individual respondents referred to throughout. Copies of the complete responses have been made and included as an appendix.

B. BACKGROUND FOR STUDY

County Medical Services entered into the PHP contract with the belief that it would reduce many of the barriers to the provision of comprehensive medical care. The elimination of many of the administrative (prior authorization, Medi-Cal stickers) and delivery (limit of two visits, fixed services) restrictions would increase access to a broader range of services. This more flexible system should allow greater emphasis on preventive care and better utilization of resources at the appropriate level of care.

County Medical Services believes that the Prepaid Health Plan affords the opportunity to provide a broader range of health services for the same or less cost than the fee-for-service reimbursement method. While there are start-up and marketing costs also involved, most of the issues relate to to the overall financial impact on the County in both short and long run.

The present County contract with the State allows for the enrollment of 20,000 Medi-Cal eligible persons. At present approximately 8,000 have been enrolled. State regulations mandate that the PHP enroll at least 50% non-Medi-Cal members by the end of its third contract year. Also under consideration is the possibility of the development of a County Health Maintenance Organization (HMO). Under Federal regulations, an HMO must include non-Medi-Cal persons and must have substantial consumer representation on its policy-making board.

In summary, the basic question to be addressed is the extent to which the County PHP provides a mechanism for improving the organization and delivery of health services for the enrolled and potentially enrolling population, at what costs to the County and with what implications for future prepaid programs. It is the hope of CHPA that this report will prove useful in this regard.

C. PERSONS RESPONDING

Responses to issues and questions developed by CHPA were received from the following:

1. Donald Ludwig, Medical Care Administration Advisor
   Contra Costa County Medical Services/Prepaid Health Plan

2. Bruce M. Anderson, M.D., President
   Alameda-Contra Costa Medical Association

3. Eugene Taylor, M.D., President of the Medical Staff,
   Brookside Hospital, Richmond

4. John N. Beck, Administrator
   California Optometric Care Foundation

5. Orlyn H. Wood, M.D., Acting Health Officer
   Contra Costa County Health Department

6. Herbert Ormsby, Administrator
   Delta Memorial Hospital, Antioch

7. Diablo Valley Foundation for Medical Care

8. Dorian Edwards, Citizen, El Sobrante

9. Clark Hinderleider, M.D., Physician, Martinez

10. H. T. Radke, Councilman, City of Martinez

11. Bruce Hannon, Administrator, Martinez Health Center, Inc.

12. Sunne Wright McPeak, CHPA Committee member, Pleasant Hill

13. Reverend Palmer Watson, Chairman
    Community Mental Health Services Advisory Board

14. Michael E. Mickelberry, Michael's Ambulance Service
    Contra Costa Ambulance Association

15. R. Thomas Hunt, M.D., Chief of Staff
    Mt. Diablo Hospital, Concord

16. Helen F. Solomon, Clinical Rehabilitation Coordinator
    Mt. Diablo Rehabilitation Center

17. Dr. Roy Black, President, Dr. Henry Linker
    Alameda-Contra Costa Counties Optometric Society

18. State of California, Department of Health,
    Facilities Licensing Section, Santa Rosa

II. ANALYSIS OF RESPONSES BY ISSUE

A. EFFECT ON THE DELIVERY OF HEALTH SERVICES

1. Has there been a change in the level and kind of services that enrollees are now receiving?

CCCMS-PHP: No changes in kind or level of services have occurred.

(This statement is assumed to refer to enrollees who were CMS patients prior to enrollment, and are receiving the same services now under the PHP).

Related Responses:

Mt. Diablo Rehabilitation Center: Certain rehabilitative services are available to PHP members which might be unavailable or difficult to authorize under Medi-Cal, for example, therapy for perceptual motor problems.

Optometric Society: Optometric care as practiced in the clinics could be improved and expanded in scope, and would prove beneficial to PHP members. Presently optometrists are dealing almost entirely with refractions in the clinic setting.

2. What are the advantages, disadvantages to the patient in being a member of the PHP? How do these affect health care?

CCCMS-PHP:

Advantages

a. *All care under one roof.*
b. *No need to await Treatment Authorization Request for controlled services of Medi-Cal.*
c. *No bills for non-authorized Medi-Cal services.*
d. *Patient benefits from being part of a comprehensive health system - preventative medicine.*
e. *An enrollee grievance program for input into medical service organization.*

Disadvantages

a. *Services delivered in specified locations.*
b. *Hospitalization provided only in Martinez.*

Affect on Health Care

Advantages - More complete and comprehensive care is available to enrollee as opposed to seeing a single physician in his office. The possibilities of referral to any or all specialities is available. Preventative measures are also available because no disease condition is required to be seen by a physician.

Disadvantages - The enrollee is inconvenienced by travel to PHP locations: however, the affect on health care is not significant since the PHP must pay for any and all emergency care.

Related Responses:

Eugene Taylor, M.D., Chief of Staff, Brookside Hospital: Lack of hospital services in the Richmond area for PHP members, along with lack of available emergency services in this same area for PHP members during evening and weekend hours are two serious difficulties.

(Note: The PHP will reimburse other hospitals for emergency services provided to PHP members.)

3. How does the PHP encourage utilization by its members? Is this sufficient; too much? What changes would you recommend?

CCCMS-PHP:

There is no specific encouragement of utilization of services at this time. However, plans have been discussed with relevance to the Medi-Screening program. Also the recent acquisition of the Xerox equipment for breast examinations will be presented to enrollees via their newsletter the "Keynote". Other preventative services will be developed as the PHP gains momentum and approval to move ahead in its program. We recommend that the PHP be allowed to develop as a program within program funding without multi-level approval in the County organizational structure.

Related Responses:

County Health Department: Very few PHP enrollees (children) eligible for EPSDT screening are being referred for this service, and enrollees do not appear to have been made aware of its availability to them. The PHP has established a satisfactory working arrangement with the Home Health Agency, although again only a few (20) referrals have been made.

4. What happens to enrollees when they lose Medi-Cal eligibility? How does this affect continuity of care?

CCCMS-PHP:

Loss of Medi-Cal eligibility causes enrollees termination on PHP. This is the greatest deficiency in the Medi-Cal PHP program. In 1971, a request was transmitted to Department of Health requesting development of a County-State relationship to fund these programs and to encourage some payment from the patients. No action has been taken by the State and no internal County action or encouragement for the program has taken place. (As a matter of fact the PHP Administration has been admonished to cease any program development outside the Medi-Cal eligible enrollees). The affect on continuity of care is drastic and inconsistent with development of good health practices. As long as one is poor the PHP is authorized to encourage good health practices - once near poor no program is available!

Related Responses:

City of Martinez: Concern is expressed generally for health care needs of individuals who cannot meet narrow, rigid requirements of existing programs.

5. Does the PHP encourage comprehensive health care? How?

CCCMS-PHP:

Comprehensive health care is available and has been encouraged by CCCMS before the PHP. Comprehensive health care is the delivery of all services needed to improve the patient's health status. Since the CCCMS has all services available to the practitioner ready referral is practiced. The two of the best examples are mental health and dental care. Many group health programs do not provide these services and would require their members to seek these services outside their organization if required by the member. The CCCMS PHP has these and all medical services within its organizational structure and intra organizational referral is simple and available.

No Related Responses.

6. Has there been a change in the emphasis on preventive medicine and health education?

CCCMS-PHP:

No significant change in preventative medicine has occurred beyond those currently practiced which are significant in contrast to other health programs. Much detail could be presented to describe the CCCMS efforts in preventative health but the restrictions on the PHP to contain its program to cash grantee Medi-Cal beneficiaries only has detracted organizational energy to mere survival. Development will only occur in an administrative climate that is approving. However, CCCMS has practiced preventative measures once the patient seeks care; consequently CCCMS has advocated a policy to easy access to health care services. This is evidenced by the development of ambulatory services in areas of high poverty, i.e., Pittsburg and Richmond, as long ago as 1959. Once in system various preventative services have been provided in blood chemistry screening, glucoma testing, Pap smears, ECG testing, etc. Mammography screening services has been recently been made available and will be announced through the PHP member newsletter "Keynote". Also, Medi-Screening services will be developed and announced. Plans are also being discussed to provide dental hygienist services in the dental clinic.

Health education has not been expanded beyond that currently available which are expectant mothers classes, dietetic couseling, mental health group therapy, etc. The "Keynote" has contained, as a regular feature, health care tips. An emergency care booklet is in production. This booklet gives instructions on heart attack, burns, bleeding, choking, stroke, shock, drug overdose, and poisons.

We hoped to expand health education through an HEW grant but the grant request was turned down by HEW. The Federal HMO certification will require additional health education efforts and efforts should be renewed to expand health education through grants. The principal problem in health education is the need for the profession to develop new techniques. Also the Health Outreach Team effort needs to be re-established and fostered along with health education participation to develop new techniques.

Related Responses:

Optometric Society: Points out potential for preventive optometry, including vision screening within the PHP.

7. What barriers to care have or might develop by requiring total use within the PHP? What are the consequences of these barriers?

CCCMS-PHP:

CCCMS as a health system does not impose barriers and many attempts have been made - organizationally - to reduce naturally developed barriers. However, be that as it may, the most oft quoted barrier is the waiting time in the clinic areas and this has been cited by PHP enrollees as a barrier to receiving health care. The wait in the clinic area is usually due to persons "dropping-in"; however, waits also occur in appointed clinics. As mentioned earlier, there have been no changes made in these services and no efforts have been mounted to revise this problem. However, this problem is not the result of the PHP - it has been in operation for sometime.

Every effort is made to inform the enrollees to contact the Medical Services before dropping-in and enrollees have been informed to contact the PHP office in case they are delayed, so that the PHP staff may try to intervene and see that services are provided. The September and November issues of "Keynote" have included advice on how to use the toll free numbers for medical advice and the clinics phone numbers to re-emphasize the need to call ahead.

Related Responses:

Michaels Ambulance Service: Ambulances are required to take acutely ill persons (including PHP members) to nearest appropriate acute facility, which may not be County Hospital. States the County will not reimburse ambulance company for uncollectable services rendered.

Mt. Diablo Rehabilitation Center: Limitations in transportation within Contra Costa County make it difficult for some to get to County Hospital.

Summary

It appears that while County Medical Services itself has not changed the way in which services are delivered for PHP members, some services may have become more readily accessible to enrollees as a result of the reduction in Medi-Cal "red tape". The problems posed by the limited number of locations where PHP members may receive services is probably amenable to solution through contract arrangements or an improved transportation component. The more serious problem posed by disenrollment for persons losing their Medi-Cal eligibility may be more difficult to resolve and has a far greater adverse impact on health care. A big variable relating to improved utilization and service delivery may be more member education about the system and how to use it mose effectively.

B. COSTS

1. Can it be expected that the actual costs will be reduced through the PHP?

CCCMS-PHP:

CCCMS "costs" are below mainstream because of the operational efficiency and because of salaried physicians. The prediction was made by me that the plan would save money for the County. An HEW actuary arrived at the same opinion, as well as a private actuary consultant. The State capitation rates are based on the actual program costs in the County. And these rates are the cost of "mainstream". The latest fiscal report reveals that actual costs are less than income. The amount of income in excess of cost runs from an estimated high to an estimated low which is $132,000 - to $34,000. This low excess does not give any credit for the program's savings in paper work (labels, TARS and bills) and could realistically be adjusted to credit these activities.

Another point on "costs" is the observed fact that the disabled cost the program more, in actual dollars, than the family group which makes up 85% of enrollees. The disabled cost the program over 50% of the dollars and are approximately 11% of enrollees! If any efforts could be mounted to reduce the disabled use of care then greater headway in savings could be generated.

According to Figures supplied by PHP staff, the following relationship between capitation income and cost of medical services existed for the months July through October, 1974.

	July	August	Sept.	Oct.
Capitation	$ 70,267	$86,707	$92,636	$104,451
Medical Services	112,730	80,687	79,925	93,443

The same report showed the following relationship between expenses per eligible enrollee and capitation rate.

	July	Aug.	Sept.	Oct.	Capitation Rate*
Aged	$18.03	$ 9.89	$ 1.96	$ 2.91	$ 29.72
Blind	21.16	10.10	35.90	11.80	56.40 or 33.23**
Disabled	125.87	83.65	75.65	73.01	86.13 or 34.26**
AFDC	38.48	19.07	18.62	20.35	20.80

*Rates are for the first contract year; the second year rates, which increased overall approximately 16%, did not become effective until November 1, 1974.

**Lower of two rates applies to those enrollees also covered by Medicare.

Related Responses:

ACCMA: Feels motivation behind PHP concept puts desire for economy and profit ahead of quality of care and patient well being.

MHAB: PHP represents necessary step for comprehensive coverage at lowest possible cost.

Michael's Ambulance Service: Reimbursement rates for ambulance service for PHP members are below the Medi-Cal reimbursement rates, and as such are unacceptable to ambulance companies.

2. If costs are basically the same, are there other advantages to maintaining the PHP?

CCCMS-PHP: Costs are less than income - see answer to B.1

No related responses.

3. If costs are greater through the PHP are there still significant reasons for maintaining the PHP? What is the trade-off point?

CCCMS-PHP: Costs are less than income - see answer to B.1

Related Responses:

ACCMA: Cost of soliciting patients for PHP is substantial, and must be born by taxpayers in one form or another. PHP is not in the public interest if its survival depends on practices (solicitation of members) which are considered "unprofessional" for physicians.

4. If the PHP is expanded to include non-Medi-Cal patients or County indigents, should the County be at-risk for these patients? How much?

CCCMS-PHP:

The State law, State regulations and the PHP contract require the persons not on the Medi-Cal program be enrolled. Presently the County Medical Services is "at-risk" for persons not known to welfare but who remain unable to pay. The County is also "at-risk" for those on Medi-Cal but who fail to bring their labels - and their bills are uncollectable.

The question of non-Medi-Cal patients in the PHP has been discussed at length. We believe the working poor and near poor need health care coverage. Persons are dropped from the cash grant status when they fail to file their monthly income report form (WR-7) and consequently lose Medi-Cal coverage! The question of "at-risk" for non-Medi-Cal patients must also be considered in the light of the PHP fiscal showing as described in #1, i.e., the PHP is in the black with the worst "risks" in prepaid health care. Those not known to welfare, i.e., trying to make it without welfare - are lesser health risks. This is a projected assumption at this point; but as mentioned above, the County is "at-risk"

all ready without any established relationship (i.e. enrollment) between the County and the near and working poor. The Medi-Cal Reform Act was designed to pick up patients "previously County responsibilities". The experience with Medi-Cal Reform Plan after three years is that very few persons go through the eligibility maze - only 28% have received M.R.P. benefits of the projected 800,000 additional Californians to be covered. The consequence has been the County has absorbed more of the health costs of the near and working poor - Contra Costa County's experience has been an increase from $4. million to $8. million. The same experience has been duplicated in all the counties and there are various estimates been made for California of $60 to 80 million more cost to California counties. (By C.S.A.C. and Health PAC.)

The question raised "should the County be at-risk", seems, to me, not to be aware of the M.R.P. experience. The proposal has been made as early as October, 1971 to the Department of Health to do a pilot project with putting the near and working poor on prepayment. The idea was to set income (only excluding assets) limits below which the State would agree to pay one-half (½) of the monthly capitation fee provided the County could enroll these persons with a commitment to pay all or part of the other half with a minimum of $5.00 per person. We would attempt to gain experience on the acceptability and feasibility of such a program and the State would gain actuarial experience for this group. Depending on enrollment success the County's cost to the near and working poor would only decrease (a reverse "at-risk"). The enrollment success is conceptual at this point but the marketing persons estimate the marketing to be highly probable. Also, there are good indications from various persons at the State and Federal level that pilot and/or grant funds would be readily available for the medically indigent prepayment program thereby significantly reducing the county's risk in the M.R.P. Act.

M.R.P. put the County at risk to bill the medically indigent. The result was increased County taxes for this group. The same was experienced in all California Counties since 1971. This condition is now recognized by Department of Health Analyst Office and C.S.A.C. Prepayment has its own set of "risks" which I believe is considerably less than the M.R.P. risk. Pilot and grant funds are available to reduce the County commitment and to test prepayment for the medically indigent. Without this trial in a prepayment venture for the medically indigent the risk imposed by M.R.P. continues unabated.

Related Responses:

Diablo Valley Foundation for Medical Care: County should enroll near poor and working poor to meet requirement of non-Medi-Cal enrollment. The County should not spend tax dollars marketing the plan to the non-indigent population, or go at-risk for any group other than the indigent.

Dorian Edwards: Request opening enrollment to all persons over 65 who are interested in such a plan. Feels many senior citizens are unfairly denied participation and could benefit from the kind of program offered by PHP.

Thomas Hunt, M.D., Chief of Medical Staff, Mt. Diablo Hospital:
Quality of care demanded by private patients, should they enroll, may create financial strain on PHP budget.

5. What are the impacts of the rest of the social service system in the County (i.e. public health nursing, social welfare, etc.) on the true costs for enrolled patients?

CCCMS-PHP:

The impact on Social Service Department would be to reduce the need for a large eligibility staff at all C.M.S. locations. This condition would be especially true if the medically indigent prepayment program is undertaken. The establishment of the medically indigent's part premium pay would be done by the marketing representative and would (proposed) be based on net monthly income. This, then, would eliminate the need for the large eligibility staff for M.R.P.

The impact on public health would be to continue the present clinical relationships in Home Health program, liaison nurse and pre-and post-natal programs. The public health education impact will be the greatest in that more direct involvement would be required with development of new and innovative programs. The health department programs in child health (Medi-Screening, child abuse, etc.) would ideally be operated in conjunction with the PHP. This would enhance these programs by providing medical backup and continuity. Agreements must be reached in this area before the total impact could be determined.

See related response, County Health Dept., A.3, Pg. 2

Summary

While internal figures to date indicate the PHP is operating in the black, one major determiner will be the costs to the program of contracting for various services with outside providers as larger enrollment makes this increasingly necessary. The cost results of opening the PHP to non-Medi-Cal persons are difficult to predict, but a key variable will be the mix of enrollees (in terms of their health status) that might result from open enrollment.

C. RELATIONSHIPS WITH THE LARGER MEDICAL CARE SYSTEM

1. Are there any formalized arrangements at this point with other providers of services? If so, with whom?

CCCMS-PHP:

The County has formed contracts with seven ambulance companies in Contra Costa County (PHP Contract Attachment I, p.7) and with Kaiser Field Hospital in Richmond for after hour emergency care. The PHP has informal relationships with two skilled nursing facilities: Arroyo/Creekside, Walnut Creek, and Ellen's Memorial in Richmond.

(Note: The Facilities Licensing Section of the State Department of Health indicated that legal action is now pending against Ellen's Memorial Convalescent Hospital around license revocation. De-certification from Medicare and Medi-Cal programs has been recommended. The last inspection report for this facility, October 1, 1974, listed 14 non compliances. Arroyo Creekside Convalescent Hospital, in its most recent inspection (July 30, 1974) was found to have no non-compliances.)

Related Responses:

Michael's Ambulance Service: PHP members are included in existing County contract with ambulance companies. This contract is totally unacceptable to ambulance operators and does not meet State guidelines for PHP operation.

2. What arrangements or contracts with other providers are contemplated? For what specific services?

CCCMS-PHP:

We are requesting contracts with most nursing homes (S.N.K.) in Contra Costa County to provide broader referral capability for patient (enrollee) placement. The need to contract for emergency services and in-patient services is growing with the growing enrollment. The most pressing need is for emergency care in East County. Next need is ambulatory services in the Concord area; then other needs for future are as follows:

More emergency care locations in West County
Inpatient care in East, Mid and West County

Related Responses:

Delta Memorial Hospital: Voluntary non-profit hospitals should be considered as potential resources for provision of service in a contractual relationship with the County. Delta Memorial could currently offer emergency room services.

Thomas Hunt, M.D., Chief of Staff, Mt. Diablo Hospital: PHP should integrate with the larger medical care system. Mt. Diablo offers many sophisticated specialty services, and the possibility for contracts for such services for PHP enrollees should be explored.

3. What is the volume of utilization by enrollees of services outside the PHP? What kinds of services is the PHP being billed for by other providers? What portion of these are "covered services"?

CCCMS-PHP:

See Attachment I for month-to-month list of bills from outside providers. Also is a report through to October 15, 1974 on kinds of providers paid. These reports will give some idea of the traffic. Prior to PHP very few outside providers were paid. Many services are now being paid and the most frequent is an "emergency" visit to one of the local hospitals.

We must presume all services provided are covered.

(As of October 15, 1974, out of plan billings totalled $29,225.50.)

No related responses.

4. What is anticipated in the way of agreements with such groups as pharmacists, optometrists, dentists? What arrangements are desired by these groups?

CCCMS-PHP:

The CCCMS has all professional persons employed at the present time on a salary basis, i.e. $xx.xx per hour. Various professional groups have and will sub-contract on a risk basis, their professional services. Since CCCMS now provides these services itself, there is little to be gained by such contracts. The pharmacists, optometrists and dentists all have pre-paid groups and enrollment in the CCCMS-PHP reduces their rolls. Therefore, urgings have been to notify Medi-Cal recipients not to join the CMS-PHP. (See Attachment II - a letter from a group of dentists). The CCCMS-PHP has been approached by the pharmacists to enter into a risk-sharing contract. As yet the optometrists and dentists have not submitted a proposal; however, we have been contacted by a optometrist pre-paid group from Sacramento.

The pharmacists proposal ("Paid Prescriptions") is for the CMS-PHP to pay a monthly capitation to their orgainzation. Services proposed are full in and outpatient and outpatient only. Since the County's capitation is a share-offset with the State, no money is exchanged. This would mean the County would have to fund such an arrangement and the fiscal advantage to the County is nil. Monies to be paid to the pharmacists'plan would require additional tax and no more offset would be allowed! We would suspect that the other groups would desire the same arrangement. As long as the PHP has these services, little advantage is gained by sub-contracting at this time. There is a future possibility that such broad based provision of services could be in operation and that would have to include the physicians as well.

Related Responses:

Optometric Society: Optometrists and others should be involved in planning and upgrading service. Health personnel should be allowed to upgrade skills and knowledge to achieve higher levels of competence.

Summary

It is clear from responses that some practitioners and institutions in the private medical community view the PHP as both a threat and a potential customer. The PHP clearly anticipates the need for some contractual relationships with other providers, essentially acute hospitals and skilled nursing facilities. The greatest tension appears to be around the solicitation of members, which is seen as drawing them away from private physicians.

D. ENROLLMENT AND MARKETING

1. To what extent are enrollees indicating lack of adequate understanding of any of the above?

CCCMS-PHP:

There is no easy way to determine the enrollees' understanding of the PHP. Efforts have been made to inform the enrollee through the newsletter "Keynote". It is estimated that 60% of total enrollees have used CMS previously. The remaining 40% may be connected to families using these services. It is not known how many are actually new to our services.

Disenrollment requests are not a good indicator of understanding of the PHP. They represent a rejection of the plan.

More efforts will be made to improve "understanding" since this is required by the HMO certification regulations of H&E.W.

Related Responses:

ACCMA and Brookside Hospital: These responses cited instances in which some persons were enrolling without a full and correct understanding of where and from whom they may obtain medical care. The primary misunderstanding described included:

a. *the enrollee could continue to go to his or her "own" physician.*
b. *the enrollee could go to any physician in the county.*
c. *Medi-Cal was going to be discontinued, and therefore the individual had no other option than signing up for the PHP.*
d. *that disenrolling was a simple process and could be readily accomplished if desired.*

County Health Dept.: Reported knowledge of incorrect statements being made by marketers in the Concord area.

(Note: While Mr. Ludwig stated that disenrollments represented rejection of the plan, rather than lack of understanding, it seems safe to assume that misunderstanding could well lead to rejection - particularly misunderstandings of the type listed above.)

2. Is there evidence of "pressure" on eligible persons to enroll?

CCCMS-PHP:

The marketing representatives attempt to explain what it means when the client signs the enrollment form. This marketing situation is unique in that nothing is exchanged in the signing. Yet, even as a "regular" door-to-door sales campaign the salesman has to be clever to get past the door. There is no question "pressure" or hard sales techniques are employed. I don't believe this is in itself a problem. Problems arise when clients react to these sales techniques negatively. Some people react sooner than others. We have had complaints by persons who neither allowed the salesman inside nor signed the contract! However, the number of persons reacting negatively is probably in the range of one out of ten.

(Note: See response above from ACCMA and Brookside Hospital. Statements from some individuals, as reported to their physicians and included in the comments of the ACCMA described the marketing representatives as using a hard-sell approach.)

3. What proportion of persons enrolling ultimately are certified by the State as eligible members? For what reasons are any enrolled persons not being so certified?

CCCMS-PHP:

We have estimated that 10% of enrollments are not certified by the State. This was the conclusion of a survey done on the October certified list by Mrs. Ann Johnson, Administrative Resident.

Persons are not certified because of these kinds of situations:

Eligibility status in question,
Failed to file WR-7 form,
Moved,
Number mismatch or change,
Discontinued on Medi-Cal.

The above percentage relates to forms being filed.

As an on-going-cumulative-percentage of persons enrolled the number is greater.

Attachment II is a monthly report showing status of enrollments. This report may help to explain how enrollments are discounted down to the monthly certified list.

No related responses.

4. Are potential enrollees easily able to contact marketing representatives with subsequent or additional questions?

CCCMS-PHP:

The marketing representatives leave a flyer and a handbook with persons contacted and who have not enrolled. These documents contain addresses and telephone numbers where additional information may be obtained.

No related responses.

Summary

Marketing appears to be one of the most vehemently criticized aspects of the PHP. The evidence seems to support the contention that prospective enrollees are not given a full and accurate picture of the program, including its limitations as well as its strengths. Ultimately this may have an unfortunate effect on the porgram's ability to establish satisfactory working relationships in the community.

E. CONSUMER SATISFACTION

1. Are enrollees' experiences with the PHP consistent with their espectations at time of enrollment? If not, what are the differences?

CCCMS-PHP:

No study has been undertaken to determine expectations vs. experience. Enrollment is in a growing phase and such a study could be a full time on-going effort and the question that would have to be considered is the value of such a costly survey. Persons very in their level of passiveness. We currently get verbal complaints about the CMS services. However, we have stressed to the marketers that no change in the service has been made. Changes are contemplated for the future and we hope they will have a positive effect of enrollment.

2. Are enrollees satisfied with the length of time required to obtain care? In general, is care received more or less promptly than it was prior to enrollment?

CCCMS-PHP:

No changes have been made in the delivery of CMS' health care. We have offered individual enrollees, who have called, help in getting care they desire; but no organizational effort has been made to speed services.

3. What problems are encountered in understanding the PHP system, i.e. when to call or to in, who to deal with, what services are included?

CCCMS-PHP:

Problems encountered are more of a general nature rather than associated with PHP. Patients (enrollees) complaining about waiting time are advised to call ahead. Many patients merely walk into the clinic for care. Triage nurses have been installed in both Richmond and Martinez Clinics to assist all patients and it is not clear at this time if these nurses have had any effect on waiting times.

4. Are enrollees receiving different or additional health services under the PHP than previously received? If so, are these perceived as more or less helpful?

CCCMS-PHP:

No changes in services have been undertaken by the PHP. One must understand the Medi-Cal program - which is extremely broad but has many prior authorization requirements, e.g.: non-emergency hospital admissions, drugs, dentistry, appliances, etc. The CCCMS processes a prior authorization (Treatment Authorization Request - "TAR") for these Medi-Cal services. These services are provided Medi-Cal patients regardless if the TAR is approved or not approved.

The PHP patient does not need a TAR to be processed for practitioner ordered services - as is required for a regular Medi-Cal patient. The services are provided as they are provided to a regular Medi-Cal patient.

This situation, described above, does not represent a change in service.

5. What are enrollee attitudes towards the personnel with whom they come in contact through the PHP?

CCCMS-PHP: We do not have report on enrollees attitude.

6. For what reasons are enrollees requesting to disenroll? How many such requests are there? How are they handled?

CCCMS-PHP:

The total disenrollment, allowed by the State and requested by the enrollee for February, 1974 through November, 1974 are as follows:

Deceased	*7*
Moved	*64*
Private physician	*179*
Part of family eligibility	*7*
Misunderstood	*67*
Dissatisfied	*43*
Total	*367*

The number of disenrollment requests submitted for the same period is 648 which means approximately 57% of requests have been approved.

A disenrollment process has been handled by West Contra Costa Community Health Care Corporation. The disenrollment form is completed and signed by the enrollee. The State is now insisting that the plan attach a note stating what efforts were made to satisfy the enrollee. The disenrollment process is the same as enrollment in timing, i.e. forms processed before the 15th of a month will be effective, if approved, by the 1st of next month. Forms processed after the 15th are effective the 1st of the month following the next.

No related responses.

Summary

Very little is known at this point about enrollee satisfaction with the PHP and no systematic attempt to assess this has been made. Disenrollment requests during 1974 totalled 890, which is equal to approximately 10% of the total enrollment during 1974. Three hundred twenty-eight, or approximately 37% of all disenrollment requests for the year accurred in December. As of December 1, 1974, 360 of these requests had been approved by the State. Of these 71 were due to either death or moving from the area, the rest are attributed to: having and wishing to continue using a private physician, 179; misunderstanding, 67; and dissatisfaction, 43.

F. CONSUMER PARTICIPATION

1. Is any such mechanism contemplated in the course of the present contract year? If not, when?

CCCMS-PHP:

No contract year limitation has been considered. The question of consumer participation will become central once the PHP is allowed to request HMO certification under PL 93-222 - HMO Assistance Act. I am not able to speculate on the date this certification will be sought.

2. What channels exist at present for enrollees to voice their opinions, problems, complaints, etc? What is done with any such comments from enrollees?

CCCMS-PHP:

Enrollees are notified by the newsletter and handbook on the process of voicing their complaints. Also, West Contra Costa Community Health Care Corporation hopes to play a role in dealing with consumer complaints. At this stage of the PHP development most complaints are voiced directly to CMS and to the Medical Social Service offices and/or to the PHP office.

Enrollees seem to innately understand they have a right to complain and they exercise this right but not a great number have been received. Education of the enrollees by the newsletter will be increased to make this channel known.

Grievances that are written are processed through the WCCCHCC office and the PHP office. It has been our intention to refer grievances to the Health Outreach Team but eventually a consumer committee must be formed either internally or through a contractual relationship with WCCCHCC.

Related Response:

Sunne McPeak: The West Contra Costa Community Health Care Corporation should not be involved in consumer representation as long as they have contractual arrangements to market the PHP. A potential conflict of interest is inherent in such an arrangement.

3. A grievance mechanism for enrollees is required. Has this been established to date? If so, how does it work? How frequently is it being utilized? Do enrollees know about the grievance procedure?

CCCMS-PHP:

About ten written grievances have been filed and processed. The enrollees generally prefer to voice grievances and no records of these calls were made. At a recent visitation by the State Department of Health Contract Manager a record system was advised for verbal grievances. This record has been established on December 16, 1974. During the week of December 16-20, 1974, five verbal grievances were received by the PHP office.

No related response.

4. Are enrollee views and comments being systematically solicited?

CCCMS-PHP

Enrollee comments are not being systematically solicited. We have discussed ways of encouraging more enrollee input and more effort will be directed at this effort once the PHP is allowed to move out of the current struggle for survival phase and into a development phase.

No related response.

Summary

Participation by enrollees in the operation of the PHP is clearly non-existant at present, and the mechanism for dealing with grievances does not seem to be firmly established. While more activity in these areas is anticipated in the future, it appears to be tied to the process of applying for federal HMO certification rather than the current PHP operation.

G. THE FUTURE ROLE OF THE COUNTY PHP

1. Should the County support an unlimited expansion of the PHP? for Medi-Cal? for the entire population? Why? Why not? How large should it become?

CCCMS-PHP:

The County should support the expansion of the PHP-HMO. "Unlimited" expansion seems to ignore real market constraints. Prepayment plans in the U.S. have about 10 million enrollees - or less than 5% of the population. Kaiser is the largest and they have about 10% of the California population. Therefore, the market penetration is limited. The County's PHP could not successfully compete against Kaiser. The CCCMS-PHP could best confine its expansion to the poor (welfare cash grantees) and the near poor (medically indigent and medically needy). These two groups of citizens make up the present patient load at CCCMS. Prepayment for these groups is designed to deliver the needed services and improve the State reimbursement, i.e. eliminate the "risk" of trying to file a bill for payment with all requirements met (labels, TAR, etc.) These two groups total about 100,000 persons in Contra Costa County, but not all will join the PHP.

At this date we have approximately 10,000 enrollments (probably 7,700 will be certified on 1/1/75) and this is 18.2% of total number of persons on Medi-Cal (cash grantees). I could estimate a Medi-Cal penetration but that will depend upon the distribution of services in areas, i.e. we believe enrollment will escalate if hospitalization services are available in Richmond, Pittsburg and Concord areas.

We believe the PHP/HMO should become as large as it will knowing that there will be a natural limit for a variety of reasons, and the primary reason is the natural market penetration will limit the size of the PHP.

Related Responses:

Diablo Valley Foundation for Medical Care: PHP would be difficult to market to general population, due to competition with Kaiser, Martinez Health Center, and private insurance.

2. Should the County ask for an exemption for the requirement of 50% non-Medi-Cal or welcome it as a base for becoming a broader based community health care system?

CCCMS-PHP:

The State Department of Health has clearly indicated that they do not intend to waive the non-Medi-Cal enrollee requirement. The Federal regulations for Medicare HMO also requires 50% non-Title 18 and 19! Also, limiting to Medi-Cal only will not allow full development of the CMS to be a community health care system which we believe is essential in view of the prospect of National Health Insurance.

No related responses.

3. What are the implications of a PHP for the County's future role as a deliverer of health care?

CCCMS-PHP:

The County's role as a deliverer of health service has been changing since 1966. Property taxes make up about 30-40% of total CMS cost. The prospect of National Health Insurance will make further changes and the County's role (authority) will further diminish. Currently the Board of Supervisors retains total control even though the property tax commitment is less than half. The PHP is an administrative vehicle to keep the CMS in tact as a health care deliverer and retain the established organization to continue as a provider. The Board of Supervisors could retain a role in health care as the PHP/HMO develops; whereas, without the PHP/HMO their role could easily be nullified.

Related Responses:

Diablo Valley Foundation for Medical Care: Supports the County PHP and feels it is best way for CMS to provide care for the Medi-Cal population and the near or working poor. Prepayment facilitates budgeting and planning for services needed by these groups. Private sector is "not prepared" to provide care for majority of Medi-Cal patients, due to burdensome regulations and unrealistic fee schedules of the Medi-Cal program.

4. Should the County apply for certification for a federal Health Maintenance Organization (HMO)? What are the implications?

CCCMS-PHP:

The CMS should apply for HMO certification and if a Medicare HMO contract is awarded this will occur. We have been informed by Social Security Administration officials that CMS is one of the few providers capable of complying with the HMO service requirements for certification. The most significant implication of HMO certification is the alteration of the Policy Board which requires 1/3 enrollee membership on the Policy Board. This would require the Board of Supervisors to relinquish total authority.

The CMS would also be in direct competition with Kaiser since the mandatory offering of the PHP would be imposed on all employers with 25 or more employees (Section 1310).

Since CMS is one of the few capable of HMO certification we believe that it's continued existance as a health care provider is essential for the citizens of Contra Costa County.

No related responses.

5. What are the implications of an operating PHP on the use of acute hospitals in the County? Should all inpatients continue to go to Martinez? Does a PHP allow greater flexibility in utilizing other community facilities? If so, is this desirable? How would it be accomplished?

CCCMS-PHP:

The CMS-PHP/HMO must plan to utilize other acute facilities because of the poor location of the County Hospital and the lack of amenities. Also,

as indicated above, the marketability of the PHP will bog down unless more local hospital services are available. The PHP allows the County a better contract bargaining base on a per diem or capitation basis because we will know the number of enrollees who would potentially be using the services. This will allow better actuarial estimates.

Related Responses:

Mt. Diablo Hospital: If County duplicates types of services now available in other hospitals in the county, private hospitals would suffer a decreased efficiency, due to minimum volume required for effective delivery of many services.

(Note: see other response for this question under C.2.)

6. Can indigents be covered through a PHP? What problems are involved?

CCCMS-PHP:

Medically indigent or near poor, working poor should be included in the PHP. We hope to seek State or Federal support for such a project. The problem will be setting eligibility limits but we believe the public response will be good because we will be proposing a health plan and not a spend-down on a health bill. The most significant problem will be keeping track of agreed prepayments, e.g. if we agree to take $5.00 per person per month on a certain family we will have to keep records of payment and some people will realize that services will be provided in any case! However, the project is worth a try in view of the difficulties with the present 80 category program.

No related responses.

7. What are the options for future relationships between County Medical Services and the County? Is some independent or semi-independent status possible/desirable?

CCCMS-PHP:

If HMO certification occurs, which we strongly recommend, then the CMS will become an independent organization. County services now being provided can be purchased through independent providers but this could occur on an attrition basis. Such a basis is necessary and desirable.

No related responses.

8. Should written plans and timetable be developed to describe how care will be delivered as the PHP grows?

CCCMS-PHP:

A timetable could be developed once the future of the PHP/HMO is decided. Such a timetable will require agreement on the elements of development and which areas need to be provided services before others.

No related responses.

Summary

It is obvious that CMS desires to establish a community based, independent, federally certified HMO available to the general population. The questions of the Board of Supervisors role in the new organization, how inpatient services will be contracted in various communities, and how indigents will be covered are still to be answered.

III. SUMMARY OF RESPONSES

1. Donald Ludwig, Medical Care Administration Advisor, Contra Costa County Medical Services/Prepaid Health Plan

   Mr. Ludwig responded in detail to the questionnaire sent out by CHPA as indicated in the text.

2. Bruce M. Anderson, M.D., President, Alameda-Contra Costa Medical Association

   Complaints against marketing practices - especially misrepresentation and subsequent difficulty of disenrollment are documented by patient deposition. Marketing representatives are alleged to have talked of dishonesty of private providers, availability of private physicians under the PHP plan, and the discontinuation of the existing Medi-Cal program. Prepaid health plans are motivated by a desire for economy relegating the concept of quality of care to a secondary position.

3. Eugene Taylor, M.D., President of the Medical Staff, Brookside Hospital

   The necessity for transport of PHP patients to the County Hospital in Martinez makes delivery of health services fragmented as does the lack of availability of emergency services during the evening and weekend hours.

   Marketing agents are misrepresenting availability of private physician services upon enrollment in PHP.

4. John N. Beck, Administrator, California Optometric Care Foundation

   Mr. Beck encloses a brochure describing the services offered by the Foundation in sub-contracting with prepaid health plans for the administration and delivery of vision care services.

5. Orlyn H. Wood, M.D., Acting Health Officer, Contra Costa County Health Department

   Few children enrolled in PHP have been screened by the Early Periodic Screening, Diagnosis, and Treatment Program (EPSDT) probably due to failure of PHP to refer enrollees.

   The Home Health Agency has a satisfactory relationship with PHP and referrals are increasing.

   Health Department personnel have noted that those marketing PHP have made incorrect statements to potential enrollees in the Concord area.

6. Herbert Ormsby, Administrator, Delta Memorial Hospital

   The role of the voluntary non-profit hospital needs to be strengthened in the future determination of County contracts with health facilities for provision of services. The fact that non-profit hospitals can provide services now provided within the County system should be considered in future planning.

7. Diablo Valley Foundation for Medical Care

The Foundation approves of the PHP to provide care for Medi-Cal and indigent population in the County but should not be sold to the non-indigent private sector.

8. Dorian Edwards, Senior Citizen, El Sobrante

Expand PHP eligibility to include all individuals 65 and over whether or not they are eligible for Supplemental Security Income (SSI). Preventive care is essential to seniors.

9. Clark Hinderleider, M.D.,Physician, Martinez

The PHP represents an innovative approach that may serve as a prototype for other areas. The HMO concept is viable and can provide for quality and cost control.

10. H. T. Radke, Councilman, City of Martinez

PHP eligibility should be expanded to all those who have no adequate alternative as well as to those who may be seeking a public oriented alternative. There are substantial numbers of citizens who cannot meet eligibility requirements of existing programs nor can they afford health care costs.

11. Bruce Hannon, Administrator, Martinez Health Center, Inc.

It is unfair for the County to market PHP in direct competition with the private health sector for Medi-Cal patients.

12. Sunne Wright McPeak, CHPA Committee member, Pleasant Hill

Involvement of West Contra Costa Health Care Corporation in any aspect of consumer involvement mechanism may present a potential conflict of interest while they are currently responsible for marketing of the PHP.

13. Reverend Palmer Watson, Chairman, Community Mental Health Services Advisory Board

Rev. Watson supports the concept of PHP and the inclusion of mental health services as a part of the PHP.

14. Michael E. Mickelberry, Michael's Ambulance Service, Contra Costa Ambulance Association

County reimbursement rates are even lower than Medi-Cal rates which are not adequate. This creates an additional cost for the private patient who is forced to subsidize their operation. Until County rates paid under PHP equal or surpass Medi-Cal rates they cannot endorse the program. Further, they are obligated by law to transport patients to the nearest emergency facility which may not be the County Hospital. The County will not reimburse them in those cases.

15. R. Thomas Hunt, M.D., Chief of Staff, Mt. Diablo Hospital

Dr. Hunt warns of budgetary strain if PHP is expanded to non-Medi-Cal patients for which the County would be at risk. He indicates that patients currently receiving care in the private sector will make more costly demands on the system.

If PHP expands, it should be integrated with the larger medical care system for provision of specialized care provided such a relationship is agreeable to provider institutions.

16. Helen F. Solomon, Clinical Rehabilitation Coordinator, Mt. Diablo Rehabilitation Center

PHP makes available certain services that would not otherwise be available through Medi-Cal in addition to eliminating treatment delays. Transportation barriers for patient utilization of the County Hospital are also noted.

17. Dr. Roy Black, President and Dr. Henry Linker, Alameda-Contra Costa Counties Optometric Society

PHP will be improved if it is expanded to include the non-indigent population.

The optometrist's tasks in clinic should be expanded to reflect the scope of optometric practice in the private sector, i.e. contact lenses, low vision therapy, vision screening, orthoptics. The current emphasis on professional skill development should be continued while a mechanism for including optometrists as well as other specialists in the planning of services should be developed.

18. State of California. Department of Health, Facilities Licensing Section, Santa Rosa

Copies of latest inspection reports of two convalescent hospitals currently being utilized by County PHP.

U.C. BERKELEY LIBRARIES
C101743271